

OFFICE OF THE ATTORNEY GENERAL OF NEW MEXICO
INVESTIGATIONS DIVISION
CONFIDENTIAL INVESTIGATIVE REPORT

☒ Initial Report

☐ Supplemental Report

Case Name: Fraud

Case Number: 757-107 PC

Suspect(s):

Jon Hendry, [REDACTED]
[REDACTED]

Elizabeth (Lisa) Van Allen, [REDACTED]
[REDACTED]

Witness(es):

Laurie Hudson, [REDACTED]

Tobi Ives, [REDACTED]

Lisa Strout, [REDACTED]

Synopsis:

On October 26, 2007 a case was opened regarding a potential fraud by Jon Hendry and Lisa Van Allen. See previous initial inquiry report (#5132) and supplemental #1, inquiry report (#5132). Continued investigation of this matter is below.

Investigation:

November 9, 2007

On this date, I conducted an interview with Lisa Strout, Director of the NMFO and Tobi Ives, Community Affairs: Marketing & Training for the NMFO. The interview was digitally recorded. A copy of the interview will be placed on a CD-R and placed into NMACO Evidence (Copy of Property and Evidence Sheets, Attachment #1). The following is a summary of the interview:

Lisa Strout and Tobi Ives:

The interview with Strout and Ives started at approximately 11:26 a.m. at the New

Mexico Film Office (418 Montezuma Ave., Santa Fe, NM). The purpose of this interview with Strout and Ives was to learn about the Film Technicians Training Program (FTTP) and Film Crew Advancement Program (FCAP).

Strout said these programs started in 2002 when legislation was passed for a tax incentive and loan program in order to stimulate movie and television activity in New Mexico. Once the incentive programs were in place and the State was attracting more business the NMFO noticed the state did not have enough crew. Strout said that "having a crew" was a crucial component to being successful.

As a result in 2003 the NMFO began exploring ways to expand the film crew base in New Mexico. Strout explained that crew members come from unions and guilds. The programs needed the support from these unions and guilds. The largest in New Mexico is International Association of Theatrical & Stage Employees (IATSE 480).

The Job Training Incentive Program (JTIP) was started in the late 1960's, by the Economic Development Department. This program is allotted money every year to bring in new businesses to New Mexico. Under this program the State would reimburse the employer 50 (urban areas) to 60 (rural) percent of a person's salary for the first six months or up to 1040 hours. The NMFO (reimbursement) programs never go beyond 50 percent.

The NMFO is given a two million a year budget from JTIP for film and multimedia under the development training program. This amount has been given to NMFO through legislation. The NMFO create their own rules and policies and are overseen by the chairperson of JTIP.

Strout said that their rules are different from other JTIP funded jobs because there are very few permanent jobs within the movie industry. The Cabinet Secretary for the Economic Development Department is Fred Mondragon. His assistant Deputy Cabinet Secretary is Stuart Paisano. Paisano is also the chair for the JTIP board.

Job training for film and media began about FY 2004. Strout indicated that Christopher Lee was the prior director of the NMFO but still works within the Economic Development Department and helped develop the program.

After Strout described how the two programs came into existence, Ives went into detail about the FCAP. According to Ives the FCAP program is designed to help a person move up to a higher level within a craft department. The example she provided was a person (has to be a New Mexico resident) is a Grip worker (help setting up for camera), they would have a New Mexican mentor teaching them a Best Boy position (next step up); which would be an increase in responsibility and wage. The mentor would be a Key Grip or head of that department. Ives and Strout said initially the mentor did not have to be a New Mexico resident; these requirements were changed requiring them to be a resident.

If the Grip is ready to move into the Best Boy position then they can qualify for the FCAP. There are other stipulations such as experience a person has and whether they have film or TV credits prior to the position. The NMFO tracks trainees from film to film versus the regular JTIP jobs that individuals usually work for one company.

A trainee (under NMFO) can receive up to 1,040 hours. Ives explained this may occur over several productions and is applicable per individual and per position. The individual does not have to be a union member to be hired by a production.

Once the person is working on a production as a trainee the production company is reimbursed (at 50 %) the first 1040 hours of the individual's wages. The NMFO receives payroll reports (from a payroll company chosen by the production company) and the hours are verified. This is the basis for reimbursement. The other documents obtained by the NMFO are an application (which is signed by the applicant, the mentor and the production company) and declaration of residency.

Ives said the production company would send her a form with general information about their company and a W-9. This would start the preparation period. During the preparation period the company might hire individuals that may qualify for the program. The production company would send an estimate to encumber funds under the JTIP program. Ives said the payroll company is the employer of record although the production company is the entity receiving the reimbursements.

Ives said the following shows how reimbursements are made to the production company from the NMFO;

1. Contract is made and approved by JTIP Chair.
2. The funds are encumbered.
3. Documents for trainees obtained in order to check qualifications.
 - a. Unions are contacted by NMFO.
 - b. The trainees are contacted by NMFO.
 - c. Call sheets obtained.
4. After show ends NMFO obtains.
 - a. Copies of declaration of residency.
 - b. Original of training applications.
 - c. Payroll reports.
 - d. And a notarized invoice from the production with a list of trainees, amount of hours worked, and who their mentor was.
5. Invoices submitted to their Administrative Services Division (ASD).
 - a. To the Economic Development Department.
 - i. Audit conducted.

Ives said there are some exceptions made. For example if a person qualifies to be mentored for a Key Grip position and the only mentor available would be a person working as a Key Rigging Grip; with prior Key Grip experience (and a New Mexico resident), they would allow this as an exception.

I asked Strout and Ives about other training available. Strout said the FTTP is basic training for individual i.e. wanting to be a Grip person. These classes run two or three semesters. The classes are modeled after a program instituted from the State of Florida called the Valencia Program. Christopher Lee, (Previous Marketing & Training person), Hendry (IATSE 480 Representative) and the film person at Santa Fe Community College went to Florida to meet the founder of the program. The NMFO started a pilot project with Santa Fe Community College.

Initially the Governor's Office provided an allocation of money for equipment used for training. There is some classroom training that includes the 120 crafts within the industry along with some hands on training (usually public service announcements) during the first semester. The second semester focus's on working within projects. The money for the equipment came in 2005.

There are five schools throughout New Mexico teaching and/or training students. These schools are;

1. Santa Fe Community College is taught by Monique Anire and Barton Bond.
2. CNM is taught by Jim Graebner.
3. Eastern NM- Roswell is taught by Allen Trevor and his assistants.
4. Northern NM College at El Rito is taught by Rosalia Trianna and Mateo Pumphrey.
5. NMSU- Dona Ana CC which is taught by Lamaya Lavan and Bill McCamey.

Strout was asked if the FTTP had money going to the schools she responded, that after the first year and a half of the program, they realized the teachers could be experts in all areas and the NMFO wanted to supplement the schools with teachers. They looked to provide all five schools with experts and mentors in the industry. The guest instructors, who were department heads and strong teachers, would be mentoring the students at the school and on productions. This was funded from the Governor's media fund for \$300,000 in May 2006.

The (guest) teachers are union members and must have a lot of experience in order to be sent out. The NMFO contracted with the IATSE 480 to help locate mentors, teachers and to coordinate the projects. The contract was awarded by NMFO to IATSE-480. IATSE-480 subbed the contract to a company called This Machine. Strout said the NMFO checked with their ASD to see if they could "sub" the contract which was given to a company named This Machine. Strout said their ASD notified them that IATSE-480 could sub out the contract.

According to Strout, the schools would call This Machine, (owned by Van Allen) requesting mentors to go teach. This Machine would then call the teachers to go and teach at the schools. The NMFO's initial point of contact at the union was Hendry. Strout said Van Allen (also a union member and owner of This Machine) would be the person that coordinated this program. According to Strout, Van Allen never received payment for her services to this program as the coordinator.

Strout said that her office oversaw the money. They would be sent an invoice, the name of the project, which school (participated) and who was on the project. Strout was asked who This Machine sent an invoice to after the teaching was done. Strout replied they sent it to her office. She would look at the invoice and the hours and "sign off on it." It would then go their ASD. Their ASD would then submit the documents to DFA.

I asked if the contract went out to bid. Strout said it was sole sourced because the union has the people who can train students.

Prior to ending the interview I handed a request for documents pertaining to the entire FTTP and the production The Lost Room, under the FCAP, to Strout (Copy of letter, Attachment # 2). The interview was concluded at approximately 12:40 p.m.

November 13, 2007

On this date I conducted an interview with Laurie Hudson, prior Secretary Treasurer for the IATSE-480 and union member. The interview was digitally recorded. A copy of the interview will be placed on a CD-R and placed into NMAGO Evidence (Copy of Property and Evidence Sheets, Attachment #1). The following is a summary of the interview:

Laurie Hudson

The interview with Hudson began at approximately 1:00 p.m. Hudson said she was the Secretary Treasurer for the union from January 2001 through July 2007.

I asked Hudson how she became involved with the complaints regarding Hendry and the FTTP and FCAP. Hudson said the programs initiated about the same time, maybe the summer of 2003. She said these programs are administered through JTIP. She gave an overview of how she believed the programs came about under the JTIP.

Hudson said FTTP was set up to train New Mexican's within the community college system to work in the film industry. FTTP was patterned after a similar program in the state of Florida. Hudson believes that FTTP was set up (in New Mexico) on a very large scale without planning.

Hudson said the original program (FTTP) was set up as a three semester intensified training that would start out as a general overview and flowing down to a specific skill. FTTP used teachers that would also be mentors within this system. She believes the program has degenerated to the point that there is very little training and very few mentors.

According to Hudson during the first year of the FTTP there wasn't an administrator. In the second year of the FTTP Van Allen was appointed as the administrator. Van Allen is a Local 480 member and Hendry's partner. Hudson said Van Allen was being paid a salary by the State of New Mexico to be the Administrator of this program.

Hudson claims that Hendry and his assistant, Annie Chastain, have been administering (most of the time) the program. Hudson claims the union members being used as teachers were contacted by Hendry or Chastain and not Van Allen.

Hudson said that Van Allen created a company by the name of This Machine to facilitate the payment of the mentors. Hudson believes This Machine to be a payroll and expenditures company used as a way to pay out money from the FTTP.

In March of 2006 a proposal was made to the Local 480 by Hendry and Van Allen. It was proposed that a separate banking account from their general fund be opened. The money for the FTTP would go into this account and checks in turn could be made to This Machine. Hudson said the account and concept was never approved by the Executive Board.

According to Hudson, in order for the State of New Mexico to put money into this account they (Hendry and Van Allen) proposed a sole source determination contract with NMFO. Hudson said other people could have done the tasks required such as finding and providing teachers. She believes that IATSE 480 might have been the logical choice as the union has the main wealth of expertise of the technical film within the State.

Hudson said the union and the executive board did not have the opportunity to decide whether or not the contract was a good deal for them. Hendry signed the contract without the knowledge and permission of the executive board and general membership.

I asked Hudson if Hendry was the unions business agent to which she responded, "yes". I asked Hudson what were the duties of the business agent. Hudson said the business agent was responsible for interacting with production companies coming into the state and insuring that a contract is in place to protect their members and to address member grievances they have from contract work.

Hudson pointed out that in the union's constitution the business agent is not authorized to take any action without the approval of the executive board. Hudson said the contract was signed by Hendry around June or July of 2006.

I asked Hudson if Hendry and Van Allen were boyfriend and girlfriend. Hudson said, yes, they are partners that live together. Next I asked if Hudson knew when This Machine was set up and she responded, "She does not know when the company was set up."

Next we spoke about a meeting the executive board had on March 19, 2006. During this meeting a proposal was presented by Van Allen. Hudson said the proposal was presented at the end of the meeting. There was no decision made on it. She has since spoken to everyone who was listed as attending the meeting and only a few remember seeing the document (sole source contract).

I inquired about the bank account that Hendry was using. Hudson said the issue with Hendry is not the account; it's that he signed the contract (with the state) without the board's approval. Hudson said the account that Hendry used was set up in July. Along with the money Hendry put into the account there was other money that went into the account from student productions such as the governor's cup. Some of these productions were mixed with the FTTP.

Hudson indicated that it is possible that Governor Richardson used the students under the FTTP to produce some of his commercials for re-election. She could only recall the commercial where Richardson was in a saloon. She said she could not be specific as to which commercials the FTTP students were used.

Hudson said that only a small handful of people being trained through the FTTP have joined the IATSE 480 because they are not being trained as film technicians. There is no concise curriculum and the IATSE 480 has no knowledge of what is being taught to the students. If the students do make an application with the union there is no way for them to know how much training one received and there is no testing.

Hudson commented that most of the teachers and mentors used for the FTTP were people who could teach simply because they were unemployed. The reason they were unemployed is because these people would not be chosen as primary technicians. They are people (under normal circumstances) that do not have enough experience to teach the crafts they are teaching.

I asked Hudson if these people were qualified, as mentors, by the State. Hudson said not necessarily. Hudson indicates the union has had problems of letting people in without having a lot of qualification because the union wanted to "show numbers." There are a lot of people in the union that are not trained film technicians.

I asked Hudson if there were any specified craft criteria for a person to be considered a film technician and she replied, "No." Hudson commented about a woman who has been a mentor in costumes with only basic knowledge of her craft. Hudson believes many of the teachers are not qualified to teach. Hudson has heard that mentors are asked to teach a class in one college, but the same class is not offered at the other schools. There is no consistency in the classes that are taught.

Hudson said most of the members of the union are aware of this program and they are angry that they are being represented as the teachers of this program when they never formally approved the sole source (contract), thus they have no say in who gets to teach or knowledge of who is teaching and they have no knowledge of any curriculum or program. As a result of this some students who graduated from the FTTP seek membership into the union. According to Hudson, Hendry, Annie Chastain and Van Allen controlled this program.

Hudson was asked to explain the account a second time. Hudson said she understood the account was set up to pay individuals who may have worked on state projects such as the

governor's cup or PSA's because they were having trouble getting paid; as the state is slow in paying and not for making payments to This Machine.

I asked Hudson who set up the account. She said the account was set up by her and Hendry. She was an original signatory on the account. They separated this account from the general account so they could pay people (with these funds) who worked. When the union received payment from the state, the money would be placed into the account to reimburse the union for amounts they advanced the members. Hudson said the account was established about July 2006.

I asked Hudson how much did the union initially put into the account. Hudson explained that two checks which were written in the summer and fall of 2006, one in the amount for \$10,888.06 and another for \$6,069.50. These were amounts paid out on specific projects. One project was the governor's cup and the other was unknown to her.

Hudson said the only knowledge she had of the account being used were the two checks mentioned above. She did not see any statements from the account. I asked Hudson if she, as the Secretary (Treasurer) was she supposed to receive information from the account. Hudson said, yes.

Hudson was asked if she knew who was receiving the information from the account. Hudson said to her knowledge Hendry changed the mailing address on this account to his home. Hudson said she thought this account was inactive and that was the reason she did not receive any information.

It wasn't until the union was doing their Labor & Management Report that they became aware of the training fund activity and the bank account was still in use (March of 2007).

During this time the union had formed a finance committee (as an oversight) because they had been experiencing financial problems. It was during this time they noticed large amounts of money being moved from this account to This Machine (Van Allen's Company).

The finance committee was formed in March or April of 2007. Randy Moore (E-board liaison), Guy Barnes (Chairman), Dale Welch (bookkeeper) and she made up the finance committee.

During this time the State of New Mexico sent FTTP invoices (signed off by Lisa Strout) and a check with a substantial amount to the union. Hudson said this check was the first indication that the account was in use. Hudson obtained copies of all the deposits and withdrawals from the account. After reviewing them they realized a large amount of money had gone through the account.

Hudson called the NMFO and spoke to Tobi Ives. Hudson inquired to Ives as to why the state is paying the union this money. Hudson said to her, "We do not have a contract." Ives response to her was, "Of course you have a contract." Hudson said this

conversation was in June or July of 2007 and this was the first time she knew the union had a contract. To Hudson's knowledge there has never been a contract between the union and This Machine.

Doug Acton, the union president, went to the NMFO and asked for a copy of the contract between them and the State. Hudson said the NMFO only let him see a copy of the contract. They would not give him a copy. Acton told Hudson that the contract was signed by Hendry.

The finance committee took its findings to the board. They tried to address these issues in board meetings in May, June and July of 2007. No resolution was arrived at these meetings. She then resigned from the board at the end of July.

I asked Hudson if the board ever confronted Hendry at any time. She responded, "Yes." I asked her if she was present when Hendry was confronted. Again she responded, "Yes." I asked Hudson, what was asked of him and what was said by him during these meetings. Hudson said Hendry was confronted by the board because of his lack of disclosure. The board felt it was not privy to or authorized the contract with the State. The board did not feel that the union was connected in any way to the program.

Hendry repeatedly pointed back to the March 2006 minutes and said they (the board) knew of this contract. Hudson said they knew it was a possibility and they received copies, however the board was not aware that it was moving forward and the contract had been signed.

Hudson said that during this same period (February of 2006) the union was in the process of buying a building. A motion was made to have Hendry and Hudson approved as signers of contracts by the executive board.

I inquired if this motion gave Hendry authority to sign the FTTP contract. She said he did have authority to sign it (to be a signatory), but not to negotiate or to go into this without the approval of the executive board. She said the union's constitution provides that no action that the business agent takes shall be without the approval of the executive board.

Hudson further commented that this (motion in February 2006) was approved by the union so they could sign the contract for the building. However the contract still had to be approved (by the executive board).

Hendry's contention was that the executive board asked him to do this because the union was having trouble getting their members paid and that their members were the only people who could teach the classes. No monies from IATSE 480 were being expended and that this was a pass through account.

According to Hudson the board knew the FTTP contract was coming to an end and they were not going to "re-up" the contract. Hendry recently changed the signatories on the

account to include the new interim secretary treasurer and the president. Hudson said both the treasurer and the president thought they were signing signature cards for the general account and not the training account. Hudson said Hendry went to the secretary treasurer and had her sign a blank check. She was busy working on a set and told Hendry, "Don't leave until you tell me what this is for." He disappeared. They would later find out that this was written out to This Machine for \$41,000.

Hudson recalls that once the finance committee disclosed all of the information they had to the board; the board directed the in house bookkeeper (Welch) to meet with Hendry and Van Allen to go over their books. The union had no documentation on the account; such as checking statements, invoices, bills, and whether or not 1099's were sent out to the teachers. Welch was only shown a quick books spreadsheet. There were no receipts and no verification (of services).

Hudson said she saw some of the invoices (to the state) showed a facilitation fee along with the teachers. They were never given any indication what the facilitation fee was for. Hudson recalled seeing facilitation fees for \$2,000 per invoice. There was no indication what these fees were for. According to Hudson a person (Elizabeth Gable) outside of IATSE 480 was a person paid by This Machine. This person is a casting director and producer.

I asked Hudson why IATSE 480 would be involved if This Machine could have done the contract work. Hudson said she (Van Allen) did not want to risk losing the contract. I asked how she would lose it. Hudson responded that if the contract were put out to bid, there were a number of people that would have wanted to be the administrator of this program.

I asked her who would be interested in this. She mentioned a person named Michael McCormick who is a long time film technician and special effects artist. He was teaching for the FTTP and mentioned he could do a great job administering the contract. Hudson said there are others who could have administered this contract.

Hudson said that to her knowledge Van Allen does not have any experience as an educator and is a craft's service person. A crafts service person serves snacks on films. Van Allen's experience in this industry is as a crafts service person. She also runs the Airport Grille, The Duke City Gourmet and other craft service companies with Hendry. They rent craft service equipment to productions and she is also the city of Santa Fe's Film Liaison. Hudson believes if this had gone out to bid she would not have been qualified to do the job.

I asked Hudson what is the union receiving from this contract. She said, "Nothing." The union's members are getting the opportunity to teach. Hudson said that there is no degree of fairness (as who gets to teach) and said there are hundreds of members that have no idea that members are teaching for FTTP. The teachers were picked by Hendry and Chastain.

The board has presented to the members the issues surrounding the account. This caused the union to contact the International (Union). The International did not intervene in the matter. To her knowledge the contract with FTTP has expired and has not been renewed.

Next we went over the following checks written from the IATSE 480's account.

Date:	Written to:	Amount	Memo line:	Comments:
2/20/07	This Machines Production	\$14,968.70	Invoice #'s 48-51	Chastain wrote check out, Hendry's signature. (IA0053)
1/24/07	This Machines Production	\$23,957.53	None	Chastain wrote check out, Hendry's signature. (IA0047)
3/30/07	This Machines Production	\$3,146.85	57,58,60	Chastain wrote check out, Hendry's stamp on signature line. (IA0058)
10/6/06	IATSE local 480	\$6,069.50	Repayment of loans invoice #85943	Chastain wrote check out, Hendry's signature (Bates # IA0036)
7/27/06	Local 480	\$10,888.76	Repayment loans-Gov's cup	Unknown wrote check out, Hendry's stamp (not FTTP, IA0028)
5/7/07	This Machines Production	\$3,359.48	Invoices: 67-69	Chastain wrote check out, Hendry's stamp on signature line. (IA0065)
5/3/07	This Machines Production	\$4,592.70	None	Chastain wrote check out, Hendry's stamp on signature line. (IA0064)
8/6/07 or 8/9/07	This Machines Production	\$25,0000	None	Hendry wrote and signed check, as well as endorsing the back of check (IA0030)
11/20/06	This Machines Production	\$11,550.29	Invoices 24-33	Unknown who wrote and signed. (IA0040)
10/20/06	This Machines Production	\$722.92	Invoice # 22 & 23	Chastain wrote check out, Hendry's stamp on signature line. (IA0037)
10/6/06	This Machines Production	\$20,510.08	Invoices 17-21	Chastain wrote check out, Hendry's on signature line. (IA0033)
9/20/06	This Machine	\$1,000	None	Hendry wrote and signed check. (IA0032)
7/27/06	This Machine Production	\$15,000	None	Hendry wrote and signed check. (IA0027)

Note: These checks were obtained from Hudson on October 3, 2008. See the initial

We discussed one of the invoices was sent to the union involving an Elizabeth Gabel (00880). I asked Hudson if the amounts charged on the invoice was too high. Hudson said the charges may or may not be high because they do not have anything (supporting documentation) describing what was charged.

Next we discussed the FCAP. Hudson said the FCAP allowed the State (NM) to provide training funds, as a portion of the salary paid, to a production for a person learning on the job.

Hudson said that production companies would pick and choose whom they would hire as trainees. This was done so they could receive 50% back (from the state) of the salary that was paid to the trainee. Hudson agreed this was not illegal. However, she felt that when the producers dictated how much money they wanted from FCAP might be illegal.

According to Hudson, Hendry and others would manipulate the information that was given to fill that need. She mentioned the **Wildfire pilot** which was shot in New Mexico in 2004. In order for the pilot to continue in the State they needed more money. Hudson said Hendry made a deal with the State to call every person on the pilot a trainee. This would allow the producers to recover 50% of the salary paid to everyone working on the pilot. Under the premise that a pilot is something the State has never done before. Hudson said that Earth 2 and Lazarus Man were examples of pilots recently shot in New Mexico. She further commented that many of the people working on the Wildfire pilot were seasoned veterans to include her.

She said a pilot is just a television production and the first episode. A pilot is no different than any other episode. The Wildfire pilot only shot for two weeks. Hudson said she believes Wildfire received too much money from the reimbursement for trainees. Hudson said in the beginning (of FCAP), Hendry would submit to JTIP (for reimbursement) the names of individuals from the crew list. No one knew that they were a trainee or mentor. Hendry would just submit the list for reimbursement. There was nothing for the worker or mentor to sign.

Hudson recalled while working on the show "Elvis has left the building," she saw a list indicating that she was a mentor. This was the first show in New Mexico that received FCAP funding. The production company was Look-A-Like Productions. All money's paid for films are paid by payroll companies. She thinks that Entertainment Partners was the payroll company for this show. A copy of the payroll report would go to the State and Hendry would provide the list (of trainees) to the person handling JTIP at the time.

I asked Hudson, what did Hendry receive from all of this? She said there is speculation that he received a kickback from Lionsgate. Lionsgate was the production company for Wildfire, Lost Room, and according to Hudson, they tend to be one of the companies that receives large quantities of money from this program. She said that Lionsgate is a major contributor to the Richardson Campaign.

Hudson said during this time Christopher Lee was the person handling FCAP for the Film Office. Hudson indicated that Lee was the person that was manipulating FCAP in its earliest stages. The director at that time was Frank Zuniga. Hudson said she and Mathew Halburt (IATSE President) had several meetings with Lee advising him that they need an application form and criteria. They told him the trainees need to be aware that they are signing a training agreement form and it must be in writing. These meetings might have occurred in late 2003 or early 2004.

Hudson said Hendry overstepped the system that was in place with the Wildfire pilot. He decided that everyone on the show would be considered a trainee. Hudson said that as FCAP evolved a set of guidelines were developed by the Film Office.

Hudson said at the end of the production for the Lost Room (a Lionsgate production) several of the union members were told that they had to sign an FCAP application form before they could receive their last check. A key painter (Randy Ortega) on the show called her and said, "My guys are being asked to sign an application form. What is going on?" Hudson called the Film Office and was told by Ives that it was allowable.

When Hudson confronted Hendry about this he became "livid." He told Hudson that it was none of her business that this was an incentive and this is what this production expects and they shouldn't be denied this money because their accounting department did not have the forms signed (at the beginning).

Hudson said many of the union members did not like this program because production companies would hire less skilled employees in order to receive the incentives. When FCAP was first initiated a mentor did not have to be a resident of New Mexico. This was changed in January of 2007; a mentor must now be a New Mexico resident.

I asked Hudson if there were any other productions that our office should look into. She said the production "Into the West."

December 3, 2007

I picked up two binders from the New Mexico Film Office. One containing the documents I requested on the FFTP (Bates stamped 00518 to 01049) and This Machine and the other detailing the documents requested from The Lost Room production (FCAP Program). These binders will be placed into NMAO evidence (Copy of Property and Evidence Sheets, Attachment #1).

At this time I also requested additional information and documents from the following FCAP productions. Wild Fire, Elvis Has Left the Building, and Into the West (Copy of request letter, Attachment #3).

January 14, 2008

At Approximately 1:15 pm I called Dannette Burch (Deputy Cabinet Secretary) of the New Mexico Department of Finance & Administration and left a message asking for her to call me regarding IATSE's contract.

At approximately 2:30 p.m. Gregory Shaffer, Associate General Counsel, DFA called regarding The IATSE's contract. Shaffer agreed to provide us with a copy of the contract with the added MOU, documents pertaining to the Contracts Review Bureau, and a list of all payments made under the contract with supporting documentation.

Shaffer was asked if it was normal for the DFA to not pay the Gross Receipts Tax for any contract. He said DFA would normally, by default, pay the GRT on a contract.

January 22, 2008

A review of the contract and the documents provided by the NMFO on the FTTP (00518-01049) on December 3, 2007 revealed issues with compliance of the contract. Under the contracts scope of work, the contractor shall perform the following:

1. The coordination and management of all aspects of the Film Technicians' Training Program (FTTP), including subcontracting one coordinator and four or more highly skilled instructors for the FTTP.
2. The coordinator shall manage all aspects of FTTP, including overseeing instructors, approving curriculum, determining gaps in specific crafts, accounting, approving New Mexican-based scripts for final semester of actual FTTP productions, coordination of FTTP projects, and assisting with the placement of students onto actual productions and ultimately into the Union.
3. Instructors will teach the following specific craft areas:
 - 1) Grip & Electrical/Sound
 - 2) Costumes/Hair/Make-up
 - 3) Set Dressing/Props
 - 4) Production Services: Office, Script Supervision, Locations, Accounting and Craft Service
 - 5) Construction/Paint/Greens/SPX/Prop Making

Instructors will teach three semesters at one of the four participating FTTP schools: SFCC, Eastern NM at Roswell, TVI Albuquerque and UNM Las Cruces.

4. Determining the skill level of all trainees. Contract shall work closely with instructors and ultimately department heads on FTTP productions to determine skill level of students.
5. Supply on-the-job training: Contractor has access to film productions around the state that will accept FTTP trainees/grads onto their job, in order to gain the 15 days-on-the-job to qualify for union membership.
6. Assisting the Trainees/FTTP graduates in the process of entering the Union and onto actual high-paying jobs. Contractor shall work closely with the NMFO to determine the specific crafts that are most in demand by the industry at large, thus ensuring job placement and on going employment.
7. Deliverables: Contractor will provide NMFO with a detail report from instructors

and schools after each semester, including report and full crew list for each FTTP project. Contractor will also provide the NMFO with the number of students at enrollment, graduation, and the number of students who have successfully joined the Union and to which specific craft.

The following describes how the contractor will be compensated per the contract:

1. The total amount of monies payable to the contractor shall not exceed \$250,000. The \$250,000 would break down as follows:
 - a. Four or more specialized instructors at up to \$50,000 each to be compensated at \$40.00 per hour and one coordinator at \$50,000 to be compensated at the rate of \$40.00 per hour. The rate includes gross receipts tax, travel expenses and any other related expenses.
2. The agency (NMFO) shall pay the contractor upon receipt of a detailed invoice of accounting for services performed, dates and number of hours of service for each instructor and the coordinator on a bi-weekly basis.
3. Within fifteen days after the date the agency receives written notice from the contractor that payment is requested for services or items of tangible personal property delivered on site and received, the agency shall issue a written certification of complete or partial acceptance or rejection of the services or items of tangible personal property.

For further detail of the contract refer to the notebook containing the FTTP information (bates numbers 00538 to 00549).

Our review of the supporting documentation provided shows:

1. Insufficient documentation was provided on a majority of the projects to warrant payment.
 - a. Lack of documentation to support the invoices for numerous facilitation charges.
 - i. Contract provides for a rate of payment of \$40.00 per hour.
 - ii. What facilitation was done in conjunction with projects and teaching in the classroom?
 - b. Lack of detail for timesheets submitted by instructors.
 - i. Who were the instructors teaching, when and where?
 - ii. Did mentoring or teaching actually occur on projects and in the classrooms?
2. It appears the instructors were being paid less than the contract provision of \$40.00 per hour.
 - a. There is some indication that additional payments to the instructors were made after TMP became aware of the investigation.
3. Some instructors and projects appear to have been paid a flat fee and not per hour (in violation of the contract).
4. Some instructors were paid for crafts that were not covered under the contract.
5. The contractor, IATSE 480, appears to have subcontracted with This Machines Production without prior written approval from the agency (NMFO).

6. A conflict of interest may exist as the IATSE local 480 person approving (Jon Hendry) the subcontract to his girlfriend's (Lisa Van Allen) business (This Machines Production). Hendry and Van Allen also reside at the same address.
7. The detailed report was not finished until November 14, 2007.
 - a. Under the scope of work the contract states reports were due after each semester and lacks several deliverables per the contract, such as:
 - i. A report and full crew list for each FTTP project.
 - ii. Number of students at enrollment, graduation and number who have successfully joined the Union and to which specific craft.
 - iii. The contract was signed into effect in May of 2006 and terminated on August 31, 2007 (was extended by amendment #1).
 - b. Under compensation the contractor was required to report on a bi-weekly basis, giving a detailed invoice of accounting for services performed, dates and number of hours for each instructor and the coordinator.

Based on the initial analysis of documents provided by the NMFO and by Tom Buckner, auditor, (attachment #4, Memorandum, detail spreadsheet and recap by Buckner) it was determined we would request two subpoena duces tecums for the bank records of IATSE local 480 and This Machines Productions.

January 24, 2008

I obtained and served two Grand Jury subpoenas (duces tecums) from the First Judicial District Court.

The subpoenas were to The First National Bank of Santa Fe seeking financial records for the accounts in the name of This Machine Productions, account number 277000715 and The International Association of Stage and Theatrical Employees Local 480, account number 277000855. These subpoenas request the documents be turned over to our office by February 14, 2008 (Attachment #5).

January 31, 2008

I called her Ives to in order to ascertain whether the documents I had requested on December 3, 2008 were ready. As she did not answer, I left her a message.

February 1, 2008

At 2:30 p.m. Tom Buckner (Auditor) and I met with Shaffer (DFA Counsel) at his office to obtain the documents that were requested on January 14, 2008. These documents will be placed in NMAGO evidence (Attachment #1, Copy of Property & Evidence Sheets). These documents were bates stamped DFA001 to DFA00213.

During our meeting Shaffer advised us that the DFA did not have the following invoices; 17,18,19,20 & 21 (DFA0044 to DFA0057). The DFA obtained their copies from the State Film Office and stamped their copies with a reception date of January 22, 2008.

We asked Shaffer what documentation is required from the Film Office and the IATSE 480 for the DFA to approve payments. Shaffer responded that only a properly filled out invoice to the DFA is needed and that a submission of an invoice, by any agency, is considered a certification (by the agency) that a job was done.

Shaffer went on to say that the DFA's Financial Control Division does not independently verify that work was done. This is the responsibility of the agency awarding the contract.

Shaffer was asked, what is required of the Film Office to certify that a job was completed by its vendor. DFA has no standards it enforces for supporting documentation, but relies on the Procurement Code for standards for such support.

February 5, 2008

At 10:45 Ives left a message saying the documents would be ready the next day. I made a return call to her advising her I would pick up the documents on February 8, 2008.

February 8, 2008

On this date the Film Office turned two boxes (banker style) containing FCAP documents requested by our office on December 3, 2007. These boxes contain information from the following productions; Wild Fire, Elvis Has Left the Building, and Into the West. These documents will be placed into NMAGO Evidence.

I also hand-delivered a letter of request to Strout seeking a complete copy of the memorandum of understanding between the Film Office, IATSE Local 480 and This Machine Productions, LLC (Copy of letter, Attachment #6).

Later this afternoon I received a message from Julia Rose (Attorney for First National Bank of Santa Fe). They agreed to provide our office with at least items one through four on the subpoenas requested by February 14, 2008. Our office has agreed to receive all other items no later than February 29, 2008.

February 14, 2008

At 12:57 pm Maria Benavidez (from the First National Bank of Santa Fe) and I made arrangements for Special Agent Don Jochem to pick up the documents they had completed in reference to our subpoenas obtained on January 24, 2008.

February 15, 2008

I obtained the documents that SA Jochem had received from Benavidez. Benavidez provided all of the documents requested under the subpoena for the account in the name of IATSE Local 480. Benavidez provided only items 1-4 of the subpoena for the account in the name of This Machines Production.

After receiving these documents, I Bates stamped the IATSE local 480 documents, IA001 to IA0084 and the This Machines Production documents, TMP001 to TMP0032. These documents will be placed into NMACO evidence (Copy of Property and Evidence Sheets, Attachment #1).

February 18, 2008

I received a copy of a Joint Powers Agreement between the DFA and the NMFO (by fax) from Strout (NMFO1 to NMFO7). These documents will be placed into NMACO Evidence (Copy of Property and Evidence Sheets, Attachment #1). Strout indicated that this is the memorandum I was seeking from my request on February 8, 2008. It should be noted that the total budget for the FTTP is the same as the Sole Source Contract (\$250,000) but differs in the proposed budget breakdown. The JPA breaks down the budget to the following:

1. FTTP Supervisor will receive \$55,000.
2. Instructors/Coordinators will receive \$170,000.
3. Equipment Maintenance will receive \$25,000.

March 4, 2008

While reviewing the bank documents from This Machine Productions I noticed six checks were made to the company from the State of New Mexico. These checks were then deposited into This Machine Productions bank account. The following is a list of the deposits and checks:

1. A deposit slip dated June 12, 2006 for a total of \$13,215.54 (Bates number TMP0051).
2. A check (voucher no. 41906638002273) for \$4,147.65, dated June 5, 2006 (Bates number TMP0052).
3. A check (voucher no. 41906638002274) for \$5,000.00, dated June 5, 2006 (Bates number TMP0053).
4. A check (voucher no. 41906638002275) for \$4,067.89, dated June 5, 2006 (Bates number TMP0054).
5. A deposit slip dated June 15, 2007 for a total of \$8,165.53 (Bates number TMP-00261)
6. A check issued for \$5,665.53, dated June 14, 2007 (Bates number TMP-00262).
7. A deposit slip dated November 13, 2007 for a total of \$1,041.31 (Bates number TMP-00432).
8. A check issued for \$1,041.31, dated November 7, 2007 (Bates number TMP-00316).
9. A deposit slip dated October 30, 2007 for a total of \$19,400 (Bates number TMP-00427)
10. A check issued for \$19,400, dated October 24, 2007 (Bates number TMP-00428).

March 11, 2008

I forwarded a letter of request for the copies of the checks issued to This Machine Productions and as well as all supporting documents to Gregory Shaffer, DFA General Counsel (Attachment #7).

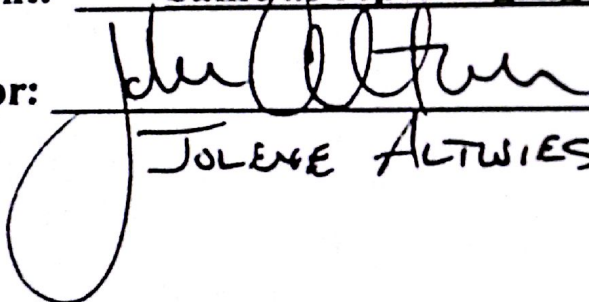
☒ **Active**

☐ **Inactive**

☐ **Closed**

Reporting Agent: Richard Pickup **Date:** 03-13-2007

Case Agent: Same as reporting Agent **Date:** _____

Supervisor:  **Date:** 3-28-08

JOLEEN ALTWIES

**OFFICE OF THE ATTORNEY GENERAL OF NEW MEXICO
INVESTIGATIONS DIVISION
CONFIDENTIAL INVESTIGATIVE REPORT**

☐ Initial Report ☒ Supplemental Report #1

Case Name: Fraud

Case Number: 757-107 PC

Suspect(s):

Jon Hendry, [REDACTED]
NM 87505

Elizabeth (Lisa) Van Allen, [REDACTED]
[REDACTED]

Synopsis

This report is a continuation of the investigation into the contract (Film Technicians Training Program or FTTP) between the New Mexico Film Office (NMFO) and the International Association of Theatrical and Stage Employees Local 480.

Investigation

March 13, 2008

At approximately 11:05 a.m. I made contact with Van Allen [REDACTED]. I asked her if we could set up an appointment to discuss the FTTP. Van Allen and I agreed to meet at 9:00 a.m. on April 1, 2008 at the Albuquerque office.

Van Allen asked if I had received the documents she gave to the Film Office, to which I replied, "yes." I told Van Allen that she could bring her documents she had; furthermore I inquired if she had any other documents. Van Allen said she had no other documents except for a revised spreadsheet. She asked if the NMFO had sent me the revised spreadsheet. I said, "no." Van Allen agreed to forward the spreadsheet to me in advance of our meeting. She asked that I email our office address to her and she would then send the revised spreadsheet to me over the weekend.

Van Allen inquired if she should bring her attorney to the meeting. I responded, "If she felt she needed her attorney, she should bring one."

March 17, 2008

Based on our review of the documents obtained from the First National bank of Santa Fe

and the analysis (by Tom Buckner, see attachment #1, Memorandum and Spreadsheets from Tom Buckner) of the previous subpoenas, there are additional documents that we need from IATSE and This Machines Production. Our office will seek subpoenas from the Grand Jury on March 28, 2008.

March 18, 2008

I made a follow-up phone call (at 8:17 a.m.) to Van Allen to ascertain if she was going to send me a copy of the updated spreadsheet she had provided to the NMFO.

Later this day, I called Lisa Strout's (Director NMFO) phone numbers she had previously given to me and left her a message asking her to contact me regarding the new spreadsheet.

At 1:30 p.m. Strout called me and said that the new spreadsheet was created by Van Allen and submitted to their office. Strout said they are currently having an audit conducted by Elliot Stenzil.

I asked Strout if she could forward a copy of the revised spreadsheet to me and any other documentation supporting the changes made. I also asked that our office be provided a copy of their audit report when finished. Strout agreed to provide all of the information I requested.

At 2:09 p.m. I received an email with an excel attachment (labeled revised 3-1-08 per audit notes) from Van Allen. Van Allen's email indicated that she attached the (revised) spreadsheet. She states that it has been revised (slightly) from the draft that I (already) have at the request of the state auditor and based on the notes from the audit.

A copy of the email with the attached (revised) spreadsheet was downloaded onto a CD-R; these two items will be placed into NMAGO Evidence (Copy of Property and Evidence Control Sheet, Attachment #2). I printed a copy of the revised spreadsheet and applied bates numbers 01050 to 01070 to the pages. The printed copy will also be placed into NMAGO Evidence (Copy of Property and Evidence Control Sheet, Attachment #2). A printed copy of the email is under attachment #3.

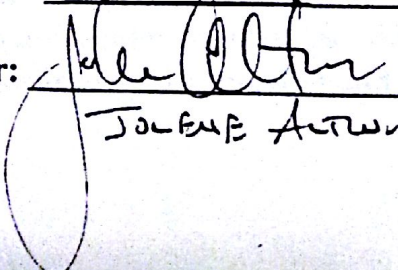
☒ Active

☐ Inactive

☐ Closed

Reporting Agent: Richard Pickup Date: March 19, 2008

Case Agent: Richard Pickup Date: March 19, 2008

Supervisor:  SAIC Date: 3-31-08

JOHN F. ALLEN

OFFICE OF THE ATTORNEY GENERAL OF NEW MEXICO
INVESTIGATIONS DIVISION
CONFIDENTIAL INVESTIGATIVE REPORT

☐ Initial Report

☒ Supplemental Report I

Case Name: Fraud

Case Number: 757-107 PC

Suspect(s):

Jon Hendry, [REDACTED]
[REDACTED]

Elizabeth (Lisa) Van Allen, [REDACTED]
[REDACTED]

Lisa Strout, DOB:

Synopsis

On January 1, 2008, I began working with the New Mexico Attorney General's Office as a Financial Analyst. As such, I was assigned to assist Special Agent Richard Pickup with the investigation of the Film Technicians Training Program (FTTP) investigation.

The investigation centered around the billings to the New Mexico Film Office (NMFO) by the International Association of Theatrical and Stage Employees (IATSE) Union Local 480. IATSE contracted with NMFO to train and develop qualified theatrical employees to work in the New Mexico film industry. IATSE sub-contracted to a company named This Machine Productions (TMP), which ran the contract. TMP is owned by Lisa Van Allen, the domestic partner of John Hendry, the Business Agent for IATSE.

Interviews of the mentors, instructors, and the coordinators were conducted as well as obtaining documentation from various entities by request and subpoena.

A review of that investigation follows.

Investigation:

The financial analysis was performed using information provided by the NMFO, the New Mexico Department of Financial Administration (DFA), This Machine Productions (TMP) and other relevant sources. As a part of this analysis, information was sought from teacher-instructors mentors and others involved in the implementation and

administration of the FTTP contract.

I. INTERVIEW SECTION:

During the course of the investigation Financial Analyst Buckner participated in the interviews of numerous individuals both individually and in conjunction with Special Agent Pickup. Copies of all write-ups prepared from those interviews by Financial Analyst Buckner are attached to this report. These recaps are intended as an overview of the interview. Refer to the transcription reports prepared by an outside source for further detail of the interview. Additionally, refer to the separate report by Special Agent Pickup for copies of write-ups prepared by him.

Recap of Interviews:

Cardone, Dante **05/15/2008**

Invoice #16 - IATSE billed for \$1,460.00 for Cardone on this invoice. At the contract rate of \$40.00 per hour, this computes to 36.5 hours. Item #00633 reflects that 32 hours were worked. The entire amount of this invoice is fraud in that it was pre-billed.

Overbilled amount	\$ 180.00
Fraud	\$1,460.00

Invoice #17 – IATSE billed for \$949.50 for Cardone on this invoice. At the contract rate of \$40.00 per hour, this computes to 23.74 hours. Item #00658 indicates that Cardone billed for 21 hours for this invoice.

Overbilled amount \$109.50.

Chastain, Anne **10/06/2008 and 10/16/2008**

The work performed by Ms Chastain is not listed under an invoice, but was office work for TMP.

It was noted during the interview that many of the invoices had been made in excess of the amounts originally paid to the instructors/mentors for their services. It was later confirmed that This Machine Productions had made numerous additional payments to the instructors/mentors totaling approximately \$18,000.000 after the beginning of the FTTP Investigation by the Attorney General's Office.

When shown the invoices submitted to DFA, Ms Chastain stated repeatedly that a particular invoice she was shown was not the amounts that she had submitted. The majority of these had been submitted for more hours than she had submitted. She was concerned that the invoices from TMP did not match the number of hours listed on the invoices received by TMP from the mentors/instructors.

Refer to the full transcript of Ms Chastain's two interviews for a detailed review of her interview.

DeWing, Herb **05/13/2008**

Invoice #32 – IATSE billed for 8 hrs @\$40.00 = \$320.00 for this mentor. As established during the 05/13/2008 interview, Ms DeWing only worked 4.5 hours. $4.5 \times \$40.00 = 180$.

Overbilled Amount \$140.00

Douthit, Katie **06/09/2008**

Invoice #15 – IATSE billed \$760.00 for Douthit for this invoice. The amount appears to have been authorized.

Invoice #17 – IATSE billed \$900.00 for Douthit's work under this invoice. Item #00660 indicates that Douthit worked 20 hours or \$800.00 in billing time.

Overbilled \$100.00 on this project.

Invoice #57 – IATSE billed \$230.00 for Douthit's work under this invoice. This amount appears to be accurate.

Egge, Emily **05/22/2008**

Invoice #25 – IATSE billed \$760.00 to NMFO for Egge's work on this invoice. Through a telephonic interview, it was established that Egge worked 15 hours on this project. $15 \times \$40 = 600.00$.

Overbilled by \$160.00

Eichman, Greg **05/19/2008**

Invoice #13 – IATSE billed \$1,840.00 for Eichman on this invoice. Item #00581 indicates that 42 hours were worked, thus $42 \times \$40 = \$1,680.00$.

Overbilled by \$160.00.

Invoice #15 – IATSE billed for \$980.00 for Eichman on this invoice. Item #00629 indicates that 20 hours were worked, thus $20 \times \$40 = \880.00 .

Overbilled by \$100.00.

Invoice #46 – IATSE billed for \$660.00 for Eichman on this invoice. Eichman billed TMP for 20 hours; TMP/IATSE billed the state for 22 hours.

Overbilled by \$80.00.

Invoice #48 – IATSE billed \$4,960.00 for Eichman on this invoice. Item #00799 indicates that Eichman worked 116 hours on this assignment, thus $116 \times 40 = \$4,640.00$.

Overbilled by \$320.00.

Elithorpe

07/29/2008

Refer to Pickup Write-up for this interview.

Gabel, Elizabeth

TB&RP

08/07/2008

Invoice #72 – IATSE billed \$1,000.00 for services under the name of Gabel for this invoice plus additional \$2,000.00 facilitation, which Gabel states she performed. Armando Kirwin worked also on this assignment and he states that Gabel was only involved for a 1-hour period.

Overbilled $\$1,000.00 - 40 = \960.00

Invoice #73 – IATSE billed \$1,000 for services under the name of Gabel. This amount appears to be correct per interview.

Invoices #74 & #80 – IATSE billed \$1,500.00 plus \$1,500.00 for Gabel under this project. This amount appears to have been within guidelines.

Invoice #87 Two Parts

Part 1 – IATSE billed \$2,000.00 to NMFO for this project under the name of Gabel. This appears to have been Facilitation and was billed under mentoring. The entire amount is therefore fraud.

Overbilled \$2,000.00

Part 2 – IATSE billed \$1,200.00 to NMFO for reshoots. During the interview Gabel stated that she was called by Van Allen and asked to submit her invoice #0605 reflecting \$600.00 for re-shoots and \$600.00 for Insurance. These amounts were suggested by Van Allen. It is noted that IATSE billed for this item on 06/29/07 and Gabel invoiced dated 12/08/07.

Insurance is not billable under the contract; the amount of \$600.00 is therefore a fraudulent billing.

Overbilled \$1,200.00

Gonzales, Joy **TB&RP** **08/04/2008**

Facilitation – No Invoice - The payment of \$800.00 to Gonzales is listed on the Van Allen Spreadsheet #3 as justification for Facilitation. This payment was not included in SS#1 and SS#2 and was included after Van Allen was interviewed by the AGO relative to the FTTP contract. The Contract ended on August 31, 2007 and this payment was made 12/03/2007. Gonzales was employed to prepare the Spreadsheets to determine amounts owed to mentors and teachers.

Amount not billable \$800.00

Haynes, Loren **10/202/2008**

Invoice #84 – There were no activities for Haynes billed to the State of New Mexico. However, he was the producer for Hearts of Desire, which was billed under Invoice #84. It was determined during the Haynes interview that the Invoice was pre-billed in that the invoice is dated 06/29/2007, reflects work performed 06/18 through 06/22/2007, approved by Lisa Strout on 06/29/2007 and the work was performed in August 2007.

Hoffman, Jennifer **TB&RP** **08/06/2008**

Facilitation – Not Included on an Invoice –

- LVA SS#1 - \$710.00 dated 08/30/2006, Hoffman stated that she worked 4 hours for this item, thus 160.00 is authorized, 550.00 is not.
- LVA SS#1 - \$1,200.00 dated 08/31/2006. Worked in the office for Hendry and Van Allen, no information to make this authorized under the contract.
- LVA SS#1 - \$943.34 dated 08/31/2008. Worked in office for Hendry and Van Allen, no information to make this authorized under the contract.

Amount Not Authorized \$2,693.34

King, Lois **06/10/2008**

Invoice #44 - King stated that she worked more than was expensed by the NMFO on this invoice.

Invoice #81 – King stated that she worked more than was expensed by the NMFO on this invoice.

All Amounts appear to have been paid in accordance with the contract.

McLoughlin, Edward **05/27/2008**

Invoice #20 - McLoughlin confirmed during interview that he had worked in excess of 24 hours for this project, far more than he was paid for.

Invoice #65 – McLoughlin confirmed during interview that he had worked sufficient hours to support amount billed for this project.

No Unauthorized Payments with respect to number of hours worked.

McWilliams TB&RP **08/10/2008**

Invoice #14 – Billed for Duke City Shootout 2006 under the name of McWilliams for \$1,250.00. McWilliams stated during the interview that she was a student during this project, she did not teach any students and she was not a facilitator.

Amount not Authorized \$1,250.00

Pfeifer, Susan **05/13/2008**

Invoice #21 – Class at ENMU in Roswell. Pfeifer stated during the interview that she spent sufficient time on this project to cover \$640.00 billed to the State.

No Unauthorized Payment.

Sanchez, Leonard **05/16/2008**

Invoice #19 - State Fair Parade - IATSE billed \$960.00 under the name of Leonard Sanchez. Sanchez confirmed that he worked sufficient hours to earn the \$960.00 billed in his name.

However, Invoice #19 was billed early making the entire Invoice Fraud and a False Voucher.

Invoice #58 – SFCC – IATSE billed \$320.00 under the name of Leonard Sanchez. Sanchez confirmed that he worked only 7 hours for this assignment (7 X 40.00 = \$280.00).

Overbilled \$40.00.

Invoice #71 – Yoga Project – IATSE billed \$700.00 under the name of Leonard Sanchez. Sanchez confirmed that he worked sufficient hours to earn the \$700.00 billed in his name.

Invoice #76 – Diver City – IATSE billed \$2,000.00 under the name of Leonard Sanchez. Sanchez confirmed the he worked sufficient hours to earn the \$2,000.00 billed in his name.

Stearns, John

05/31/2008

Invoice #31 - This Invoice was for a production named "Burden Carriers". Mr. Stearns confirmed that he worked in excess of 20 hours on this production earning the \$800.00 billed by IATSE for Him.

No Unauthorized Payment

Vega, Ed

05/28/2008

Invoice #50 – Red Mesa – IATSE billed for \$2,000.00 under the name of Ed Vega for this project. Vega confirmed during interview that he worked sufficient hours while mentoring/teaching students to cover the amount billed.

No Unauthorized Payment

Wieneke, Lisa

TB&RP

08/13/2008

Invoice #10 - IATSE billed 100 hours production training or \$4,000.00 on this invoice plus \$4,000.00 facilitation on this invoice.

Wieneke confirmed that she worked sufficient hours to cover \$4,000.00 on this invoice. Thus, \$2,000.00 of the production work and \$2,000.00 of the Facilitation work was appropriate.

However, this entire amount is fraud in that the Invoice is dated 06/07/06, approved by Lisa Strout on 06/23/06 and the supporting documentation reflects that the work was performed beginning on 06/28/06 ending on 07/02/06.

Invoice #12 – IATSE billed 50 hours production training or \$2,000.00 on this invoice plus 50 hours facilitation - \$2,000.00.

Wieneke confirmed that she worked sufficient hours to cover \$2,000.00 on this invoice.

However, this entire invoice is fraud in that it is dated 06/12/06, was approved by Lisa Strout on 06/23/06 and the supporting documentation reflects that the work was performed between 06/28/06 and 07/02/06.

Note: Invoice #10 & #12 – The Van Allen Spreadsheets #1, #2 and #3 (used to explain the invoices) each combine these spreadsheets into Invoice #13. This explanation breaks out \$2,000.00 for Wieneke for this invoice plus \$2,000.00 for facilitation.

Invoice #15 – A Piece of Pie #1 - IATSE billed \$2,000.00 under the name of Wieneke for this invoice and \$2,000.00 for facilitation. Wieneke confirmed that she worked 72.5 hours on this assignment. Thus both billings are appropriate.

Invoice #16 – Benito's Gift – IATSE billed for \$2,000.00 under the name of Wieneke for

this invoice. Wieneke confirmed that she worked sufficient hours to cover this payment.

However, this entire Invoice is fraud in that the work was performed in July 2006 and the Invoice is dated 06/29/06 and the body of the invoice reflects that the work was performed on 06/24 through 06/28.

Woodlee, Christina TB&RP 08/08/2008

Invoice #18 – State Fair Parade - LATSE billed \$2,000.00 under the name of Christina Woodlee (Coordinator) on this invoice. In addition to the amount billed for Woodlee as coordination, there was an amount of \$2,000.00 billed for Facilitation. Woodlee confirmed that she worked sufficient hours to cover this charge and that she did all the coordination for this project. During the course of the interview, Woodlee described her duties as that of facilitation and not instruction/mentoring.

Additionally, there is an amount of \$1,600.00 under the name of Grace Lapsys on Invoice #18 that was actually paid to Woodlee to reimburse her for expenses for the project. Such expenses are not billable under the contract.

This invoice amount is fraud in that it was billed as production work.

Invoice #19 - State Fair Parade - LATSE billed \$2,000 under the name of Woodlee (Coordination) for this project. Woodlee confirmed that she worked sufficient hours to cover this billing. However, the amount for Woodley is billed as production and the work described is facilitation.

Overbilled \$2,000.00

II. OTHER MATTERS

1. False Vouchers

30-23-3. Making or permitting False Voucher.

“Making or permitting false public voucher consists of knowingly, intentionally or willfully making, causing to be made or permitting to be made, a false material statement or forged signature upon any public voucher, or invoice supporting a public voucher, with intent that the voucher or invoice shall be relied upon for the expenditure of public money.

Whoever commits making or permitting false public voucher is guilty of a fourth degree felony.”

Irregular Billings on Specific Invoices

❑ Invoice #10, dated 06/07/06. Total Invoice \$8,505.00 [Ref. #00555]
❑ <u>Invoice #12, dated 06/12/06. Total Invoice \$4,252.50 [Ref. #00557]</u>
Total \$12,757.50

The VA Spreadsheet #3 (VASS#3) indicates that Invoices #10 and #12 are for the Governor's Cup production "*A Day in Heaven*." Items #00597 through #00612 indicate that these shoots happened on June 28, June 29, June 30, **July 1, and July 2, 2006.**

Certification - Item DFA-0031 (Invoice #10) and DFA-0033 (Invoice #12) reflect a certification by Alfonso Trujillo as Chief Financial Officer of NMFO. The certification states that the items listed on the attached invoice were received and accepted by this agency on or before June 30, 2006.

Thus, the services for Invoice #10 and Invoice #12 could not have been delivered by the time of the Certification by Alfonso Trujillo, making Invoices #10 and #12 false documents.

❑ **Invoice #11** – Facilitation Flagman Class Madrid.

This invoice is a False Voucher in that it was billed as a Flagman Class but was in actuality payments for traffic direction in the town of Madrid, New Mexico to appease the citizens and merchants of that town during the shooting of the movie "Wild Hogs."

- ❑ **Invoice #13** – This invoice is a False Voucher in that the billings are more than the amounts authorized under the contract.
- ❑ **Invoice #14** – False Voucher, Elithorp was student, Julian was not a mentor but a judge, McWilliams was an intern and not a mentor, Goble was not a mentor.
- ❑ **Invoice #15** - False Voucher, overbilling, other items not payable under the contract.
- ❑ **Invoice #16** - This invoice as submitted by IATSE to NMFO reflects that the work was performed "6/24-6/26". [Ref. #00617]

This invoice is a False Voucher in that the billing was pre-billed before the work was done.

The Invoice and the VASS#3 indicates that this Invoice was for the Governor's Cup production "Benito's Gift." Item #00631 reflects work for the "Week Ending 07/16/06" Items #00632 through #00633 also cover "Benito's Gift" and reflect work done on 07/14, 07/15 & 07/16/06. Item #00635 includes a gasoline receipt dated 07/07/06.

Certification - It is noted that NMFO Item #617 has a stamp affixed stating "CERTIFICATION I, Alfonso R. Trujillo, hereby certify that the items listed on the attached invoice were received and accepted by this agency on or before June 30, 2006. I also certify that adequate cash and budget existed." Signed 7/27/06.

Thus, the services for Invoice #16 were not performed until after the date certified by CFO Trujillo.

- ❑ **Invoice #17** – This invoice is a False Voucher in that the amounts billed are in excess of the amounts authorized under the contract.
- ❑ **Invoice #18** – This invoice is a False Voucher in that the Woodlee performed facilitation work and the billing to the state reflected production.
- ❑ **Invoice #19** – This invoice is pre-billed, thus making a False Voucher.
- ❑ **Invoice #20** - This invoice is considered a False Voucher in that the work by Thompson was overbilled by two hours.
- ❑ **Invoice #21** - No exceptions noted on this invoice.
- ❑ **Invoice #22** – This invoice is considered a False Voucher in that the fuel costs are not billable under the contract.
- ❑ **Invoice #23** - This invoice is considered a False Voucher in that the fuel costs are not billable under the contract.
- ❑ **Invoice #24** – This invoice is considered a False Voucher in that TMP overbilled to the State and the expendables are not billable under the contract.
- ❑ **Invoice #25** - This invoice is considered to be a False Voucher in that TMP overbilled for the number of hours billed by the mentor.
- ❑ **Invoice #26** – This invoice is considered to be a False Voucher in that TMP overbilled for the number of hours billed by the mentor.
- ❑ **Invoice #27** – False Voucher in that TMP billed for more hours than worked by the mentor.
- ❑ **Invoice #28** – False Voucher in that TMP billed for more hours than worked by the mentor.
- ❑ **Invoice #29** – False Voucher in that TMP billed for more hours than worked by the mentor.
- ❑ **Invoice #30** - False Voucher in that TMP billed for more hours than worked or traveled by the mentor.
- ❑ **Invoice #31** – No exceptions noted on this invoice.
- ❑ **Invoice #32** – No exceptions noted on this invoice.
- ❑ **Invoice #33** – No exceptions noted on this invoice.
- ❑ **Invoice #34** – No exceptions noted on this invoice.
- ❑ **Invoice #35** – No exceptions noted on this invoice.
- ❑ **Invoice #36** – No exception except for Facilitation Charge.
- ❑ **Invoice #37** – No exceptions noted on this invoice.
- ❑ **Invoice #38** – No exceptions noted on this invoice.
- ❑ **Invoice #39** – This Invoice was not paid by DFA.
- ❑ **Invoice #40** – No exceptions noted on this invoice.
- ❑ **Invoice #41** – False Voucher in that TMP billed for more hours than worked by mentor.
- ❑ **Invoice #42** - No exception except for Facilitation Charge.
- ❑ **Invoice #43** - No exception noted on this invoice.
- ❑ **Invoice #44** - No exception noted on this invoice.
- ❑ **Invoice #45** – False Voucher. The activity of holding a firefighter's class is outside the parameters of the contract.
- ❑ **Invoice #46** – False Voucher. TMP billed for more hours than billed by the mentors.
- ❑ **Invoice #47** - This Invoice Number not used.
- ❑ **Invoice #48** - False voucher, TMP billed for more hours than billed by the mentor.

- ❑ Invoice #49 – No exception noted on this invoice.
- ❑ Invoice #50 – No exception noted on this invoice.
- ❑ Invoice #51 – This invoice was submitted for Lisa Van Allen. The interview with Ms Van Allen did not discuss this Invoice.
- ❑ Invoice #52 – False Voucher, TMP billed for more hours than worked by mentors.
- ❑ Invoice #53 – False Voucher, TMP billed for more hours than worked by mentors.
- ❑ Invoice #54 – False Voucher, Gorman was a student and not qualified as a mentor, Woodlee did not work on this project.
- ❑ Invoice #55 – No exception noted on this invoice.
- ❑ Invoice #56 – False Voucher, TMP billed for more hours than worked by mentors.
- ❑ Invoice #57 – No exception except for Facilitation Charge.
- ❑ Invoice #58 – False Voucher, TMP billed for more hours than worked by mentors.
- ❑ Invoice #59 – Not Paid
- ❑ Invoice #60 – No exception noted on this invoice.
- ❑ Invoice #61 – No exception noted on this invoice.
- ❑ Invoice #62 – False Voucher, TMP billed for more hours than worked by mentors.
- ❑ Invoice #63 – No exception noted on this invoice.
- ❑ Invoice #64 – No exception noted on this invoice.
- ❑ Invoice #65 – No exception noted on this invoice.
- ❑ Invoice #66 – No exception noted on this invoice.
- ❑ Invoice #67 – No exception noted on this invoice.
- ❑ Invoice #68 – False Voucher, TMP billed for more hours than worked by mentors.
- ❑ Invoice #69 – False Voucher, Garza was not a mentor.
- ❑ Invoice #70 – No exception noted on this invoice.
- ❑ Invoice #71 – No exception except for Facilitation Charge.
- ❑ Invoice #72 – Elizabeth Gabel, Producer “Slam Doc” hours. Gabel stated during an interview that this production was in (Austin) “Texas”. [Ref. #00880] During the interview with Pickup and Buckner, Gabel stated that she did limited work assisting on this project since she was busy on another shooting. Thus, invoice can be considered a False Voucher.
- ❑ Invoice #73 – No exception noted on this invoice.
- ❑ Invoice #74 – No exception noted on this invoice.
- ❑ Invoice #75 – False Voucher, TMP billed for more hours than worked by mentors.
- ❑ Invoice #76 – No exception noted on this invoice.
- ❑ Invoice #77 – No exception except for Facilitation Charge.
- ❑ Invoice #78 – No exception noted on this invoice.
- ❑ Invoice #79 – No exception noted on this invoice.
- ❑ Invoice #80 – False Voucher, the activity happened after the expiration date of the contract.
- ❑ Invoice #81 – No exception noted on this invoice.
- ❑ Invoice #82 – No exception noted on this invoice.
- ❑ Invoice #83 – False Voucher, billed to the State of New Mexico on 06/29/2007. Reflects Sean McCormick work on “In the Wake” for June 25-29,2007. [Ref. #00945]

Item #00950 is an invoice for Sean McCormick for “In The Wake” for 7/3, 7/4, 7/5, 7/6, and 7/7. [Ref. #00950]

Additionally, invoice #83, reflects work for Scott Clark [Item #00951]. Clark submitted invoice to TMP [Item #00951] for work dated 7/2-7/6.

Certification - It is noted that Item DFA-00201 bears a Certification by Lisa Ortiz as Chief Financial Officer of NMFO certifying that the items listed on the invoice were received and accepted by the agency on or before June 30, 2007.

Thus, the Invoice is a False Voucher in that it reflects that the work was performed in June 2007 and evidence exists that the work was performed at later dates. Additionally, the Certification is not correct in that the work was not performed by the date certified.

- **Invoice #84** – False Voucher, the invoice is dated 06/29/07 (FY2007). The invoice reflects work performed in June 2007 and billed as work in FY07. [Ref. #00946]

The Invoices supporting this TMP Invoice are for later dates:

- **Banshee**
 - #00952 Leonard Hoffman 7/9-7/13
 - #VAS485 – 509 Banshee Call Sheets 07/10/07
- **Linda**
 - #00953 Val Shubert 7/9/2007
 - #NMFO799-800 Linda re-shoot
- **Hearts of Desire**
 - #VAS536 – 550 Hearts Approval, Production
 - #NMFO828 Ulibarri e-mail
 - #00954 Leonard Hoffman 8/20-8/26
 - #00955 Hank Herrera 8/10-8/26
 - #00956 Sara Bozik 8/20-8/25
 - #00957 Charlie Free 8/20-8/26
 - #00958/959 Ginger Dunhill 8/20-8/25
 - #NMFO866 Ives e-mail

Thus all services billed for on this invoice could not have been delivered prior to the June 30 deadline.

Certification - It is noted that Item DFA-00204 bears a Certification by Lisa Ortiz as Chief Financial Officer of NMFO certifying that the items listed on the invoice were received and accepted by the agency on or before June 30, 2007.

Invoice #84 is a False Voucher in that all services billed had not been performed prior to the June 29, 2007 date on the invoice. Additionally, the Certification is false in that the services billed were not performed until after the certification date.

- **Invoice #85** - False Voucher, TMP billed for more hours than worked by mentor, kit rental not billable under the contract.

- ❑ **Invoice #86 - False Voucher.** This invoice is dated 06/29/2007. This invoice covers a project called the Santa Fe Fire Department Family Fun Festival and the date for the activity is reflected 06/14/2007. [Ref: #00947] In information provided by the NMFP [NMFO 766 – 768] reflects that this filming happened on July 13, Jul 14 and Jul 15.

Certification - It is noted that Item DFA-00210 bears a Certification by Lisa Ortiz as Chief Financial Officer of NMFO certifying that the items listed on the invoice were received and accepted by the agency on or before June 30, 2007.

- ❑ **Invoice #87 - [Ref. #00948] – False Voucher**
 - Dated 06/29/2007
 - Okayed for payment by Lisa Strout 06/29/2007
 - Certification by Lisa Ortiz dated 08/29/2007 that work was received and accepted by the Agency on or before June 30, 2007.
 - Paid by The State of New Mexico on 09/11/2007 by Warranty Number B 100059281.

This invoice reflects work for at least three productions.

- “A Return Home”, Governor’s Cup
Alan Trevor
 - An Invoice provided by Trevor to TMP [Ref. 00963-A] indicates 3 days instruction and travel. [30hrs X \$40.00=\$1,200.00]

Paid by check #1246 07/31/07 - \$1,200.00

Ramona Emerson

- An Invoice provided by Emerson to TMP [Ref. 00964] reflects two days mentoring. There is no information on the number of hours worked, but states “Two days @ \$500.00 a day = \$1,000.00.” This would indicate a flat fee rather than a payment for hours as per the contract.
 - a. 2 days X 10 hrs = 20 hrs X \$40.00 = \$800.00
 - b. 2 days X 12 hrs = 24 hrs X \$40.00 = \$960.00

TMP billed NMFO and Emerson was paid \$1,000.00 for this project.
[Ref. TMP00293]

Paid by check #1261 07/31/07 - \$1,000.00

Kelly Byars

- An Invoice provided by Byars to TMP [Ref. 00965] reflects two days mentoring. There is no information on the number of hours worked, but instead states “Two days @ \$500.00 a day = \$1,000.00.” This would indicate a flat fee rather than a payment for hours as per the contract.

- a. 2 days X 10 hrs = 20 hrs X \$40.00 = \$800.00
- b. 2 days X 12 hrs = 24 hrs X \$40.00 = \$960.00
- TMP billed NMFO and Emerson was paid \$1,000.00 for this project.
[Ref. TMP00292]

Paid by check #1259 07/31/07 - \$1,000.00

Elizabeth Gabel

- TMP billed NMFO under the name of Gabel for "Elizabeth Gabel, producer facilitation. May 25 – July 25, 2007 \$2,000.00,
- and Edit, Facil(itation) and Reshoots for "A Return Home" – A Trevor, E. Gabel, w/6/29 \$1,200.00."

When interviewed on August 7, 2008, Gabel provided copies of her Invoice #0603 and #0605. These are invoices from Gabel to TMP.

- Invoice #0603 states "Governor's Cup "Coming Home" Mentorship. Gable states that she worked at least 70 hours on the project. 70 hrs X \$40.00 = \$2,800.00 thus the billing appears to be within the contract with respect to hours.
- Invoice #0605 states "Governor's Cup Coming Home" Mentorship – Mentor: Ramona Emmerson (sic) /Re-shoot \$600, Insurance \$600, Total Due \$1200. Date penciled on this Invoice is 12/8/07.

During the interview, Gabel stated that she had been promised \$6,500.00 for her involvement in the FTTP program. She had previously been paid \$5,000.00 for the projects she had worked on and had not intended to bill TMP for any additional for her services. She received a call from TMP owner Van Allen early in December 2007 telling her that she should be paid more for her work. Van Allen stated that she needed to pay her an additional \$2,000.00 for "mentoring Armando", and another \$1,200.00 for additional on "A Return Home."

Gabel was paid additional funds by checks dated 12/01/2007. Check #1398 in the amount of \$2,000.00 with the Memo Statement "Balance of Gov. Cup coordination and use of insura (sic)", and check # 1397 in the amount of \$1,200.00 with the Memo Statement "Re-shoots- A Return Home".

The names "A Return Home" and "Coming Home" appear to have both been used for this project.

Paid by check #1398 dated 07/31/07 - \$2,000.00

This portion of the invoice is considered to be fraud in that within the body of the invoice the description states that the work was performed through July 25, 2007 and could not have been received by the June 30, 2007 deadline as certified by Lisa Ortiz.

Paid by check #1397 dated 07/31/07 - \$1,200.00

This portion of the invoice is considered to be fraud in that \$600.00 is for the use of insurance and only hours are billable under the contract. The invoice from Gabel is dated 12/8/07, almost three months after TMP had received payment for the invoice. In fact, no payment was made until after the investigation by the AGO was begun.

Dale Sonnenberg

- TMP billed NMFO for \$2,000.00 with the notation "Governor's Cup #1 additional editing mentorship June???(full date is not legible). An Invoice from Sonnenberg [Ref. 00967] states that this was for additional editing "Coach Huizar".

In an interview with Special Agent Pickup, Sonnenberg stated that the editing was performed "late in the year". Thus, this portion of the invoice was billed prior to the work being performed.

Paid by check #1302 dated 10/30/07 - \$2,000.00

This portion of the invoice is considered to be fraud in that the work had not been performed by the certified date of June 30, 2007.

Microsoft Project w/El Rito Students -

- Armando Kirwin & Dan Smith (Slam Doc) - Work performed January 2008 per interview with Kirwin by Special Agent Huegler
- Governor's Cup #3- Armando Kirwin. In an interview with Special Agent Huegler, Kirwin stated that the work he did on the Microsoft project occurred in September (2007).

Thus, this portion of the Invoice occurred after the completion of the contract on August 31, 2007 and could not have occurred prior to the date as certified by Chief Financial Officer Ortiz.

Dan Smith

- Governor's Cup #3 - Dan Smith
- The investigators on this case have not located an individual named Dan Smith who participated in the FTTP Contract. An individual named Dan Dinning worked with Armando Kirwin and is probably the individual billed for. Since this Invoice was being submitted at the

end of Fiscal Year 2007, the name of "Smith" may have been substituted for an unknown last name in order to facilitate submission of the invoice.

- Dan Dinning, being an associate of Kirwin, worked on the production "Slam Doc" which was a Governor's Cup production. The production was performed partially in Austin, Texas much later than the 06/29/2007 billing to the NMFO. See Huegler write-up for further information on dates of this shoot.

Payments to Galloquema Film:

Paid by check #1396 dated 12/01/07 - \$2,000.00

Paid by check #1397 dated 10/09/07 - \$6,500.00

Fraudulent billing. Thus, this portion of the Invoice occurred after the completion of the contract on August 31, 2007 and could not have occurred prior to the date as certified by Chief Financial Officer Ortiz. Additionally, this portion of the invoice was not performed until after TMP had received payment for the invoice on 09/11/2007.

Thus all services billed for on this invoice could not have been delivered prior to the June 30 deadline.

Certification - It is noted that Item DFA-00213 bears a Certification by Lisa Ortiz as Chief Financial Officer of NMFO certifying that the items listed on the invoice were received and accepted by the agency on or before June 30, 2007.

Total Billings on Invoice #87 Considered to be Fraudulent. \$13,200.00

2. Circumvention of Payment System

In an interview Lisa Wieneke stated that she had been paid direct by the NMFO for work done on the FTTP program. This situation bears separate investigation outside the parameters of the FTTP Contract.

3. Payments for Facilitation

An analysis of payments reflects that amounts made for facilitation may not have been possible when a comparison of the number of hours between payments and the rate of \$40.00 per hour. This information is currently being developed and evaluated.

TMP/LATSE billed the NMFO for a total of \$57,550.00 for Facilitation Charges. An analysis of the documentation provided by TMP to support this billing under the contract reflects a total of \$12,724.81 as acceptable under the contract. Thus, \$44,825.19 is not

considered payable under the contract.

Refer to the report "FTTP Facilitation Charges" that as a supplement to this report.

4. Gross Receipts Tax – Payment and Collection

This Machine Productions (TMP) billed the NMFO for Gross Receipts totaling \$14,823.38 during the course of the FTTP contract project. It is noted the TMP did not pay Gross Receipts Tax to the majority of their mentors/instructors.

During the course of this investigation, Mentor/Instructor Lisa Wieneke stated that she repeatedly asked that TMP provide a State Exemption Form to the Mentor/Instructors to exclude them from such tax collection. Wieneke further stated that such forms were never sent.

TMP did report and pay Gross Receipts Tax Reports to the New Mexico Tax and Revenue Department.

The FTTP Contract reflects that under the item "Compensation," Item A.

"The Agency shall pay to the Contractor for these services satisfactorily performed pursuant to the Scope of Work. The total amount of the monies payable to the Contractor under this Agreement, including gross receipts tax, travel expenses, and any other related expenses shall not exceed \$250,000.00 (two hundred fifty thousand dollars)."

Four (4) or more specialized instructors at up to \$50,000 each to be compensated at the rate of \$40.00 per hour and one (1) Coordinator at \$50,000 to be compensated at the rate of \$40.00 per hour. Rate includes gross receipts tax, travel expenses and any other related expense."

It is noted that the contract does not provide for the additional payment of Gross receipts tax.

Refer to the Report labeled "Tax Analysis Sheet" for a detailed listing of the tax payments made under this contract.

5. Underpayment of Amounts Authorized by Contract

In October 2007, Special Agent Pickup began an investigation into the administration of the FTTP Contract. As such, his first contact with the NMFO with respect to the FTTP Contract was on November 9, 2007. Immediately thereafter, the management of TMP began making additional payments to mentors and instructors who had helped in the FTTP project during the course of the FTTP Contract. NMFO Item #00551 was mailed with these additional checks stating "Please find a check enclosed representing a balance

of benefits owed to you for instruction done through This Machine's contract with Local 480 and the State."

A review of invoices submitted by IATSE to NMFO compared to invoices submitted by mentors/instructors to IATSE/TMP revealed that many of the instructors for whom additional benefits were being paid had in fact already had benefits paid as reflected in their billings and the amounts paid.

In actuality, the additional payments made were amounts that brought the amount paid to the mentor/instructor equal to the amount billed by TMP/IATSE to NMFO at the contract rate of \$40.00 per hour. The mentor/instructors had been paid at rates \$7.00 to \$10.00 less than (below) the contract rate of \$40.00 per hour.

This additional payment is considered to be an embezzlement. Would this payment have been made had the Attorney General's Office not begun the investigation into the administration of the contract? Consequently, these checks were frequently paid several months after the work was performed, further questioning as to whether the checks would have been written if the investigation had not begun.

Refer to the report labeled "Benefit Buyout Analysis" for a detailed report of the amounts paid to the instructors/mentors after the investigation by the AGO was begun. Additionally, refer to the report labeled "Fraud, Embezzlement & Reimbursement" for a detailed listing of embezzlement recommended for charging.

6. Subcontracting and the IATSE Contract

Contract #06-419-6100#1049 between the State of New Mexico Economic Development Department and the International Alliance of State and Theatrical Employees (IATSE) Local 480 includes the following paragraph.

7. Subcontracting.

"The Contractor shall not subcontract any portion of the services to be performed under this Agreement without the prior written approval of the Agency."

The contract bears signatures of Rick Homans for the "Agency" (NMEED) dated 05/17/06, Agency's Legal Counsel of 05/12/06, Jon Hendry for the "Contractor" on 05/06/06 and Lisa W. Strout the Contract Monitor dated 05/05/06.

A separate agreement, between Jon Hendry of IATSE Local 480 dated 04/14/06 and Lisa Van Allen of This Machine Productions, LLC dated 04/18/06 effectively subcontracts the responsibilities of IATSE to This Machine Productions (TMP).

Thus, NMFO has agreed to a subcontracting agreement in this matter that predates the signing of the contract and is outside the parameters of the contract.

1. Project Overview (2024-2025)

2. Objectives & Scope

3. Deliverables & Milestones

4. Financial Details

5. Risk Analysis & Mitigation

6. Summary & Next Steps

7. Appendix A: Glossary

8. Appendix B: Contact Information

9. Appendix C: Legal Disclaimers

10. Appendix D: Revision History

11. Appendix E: Sign-off

12. Appendix F: Additional Notes

13. Appendix G: References

14. Appendix H: Attachments

15. Appendix I: Other Documents

16. Appendix J: Final Review

17. Appendix K: Final Approval

18. Appendix L: Final Sign-off

19. Appendix M: Final Review

20. Appendix N: Final Approval

21. Appendix O: Final Sign-off

22. Appendix P: Final Review

23. Appendix Q: Final Approval

24. Appendix R: Final Sign-off

25. Appendix S: Final Review

26. Appendix T: Final Approval

27. Appendix U: Final Sign-off

28. Appendix V: Final Review

29. Appendix W: Final Approval

30. Appendix X: Final Sign-off

31. Appendix Y: Final Review

32. Appendix Z: Final Approval

33. Appendix AA: Final Sign-off

34. Appendix AB: Final Review

35. Appendix AC: Final Approval

36. Appendix AD: Final Sign-off

37. Appendix AE: Final Review

38. Appendix AF: Final Approval

39. Appendix AG: Final Sign-off

40. Appendix AH: Final Review

41. Appendix AI: Final Approval

42. Appendix AJ: Final Sign-off

43. Appendix AK: Final Review

44. Appendix AL: Final Approval

45. Appendix AM: Final Sign-off

46. Appendix AN: Final Review

47. Appendix AO: Final Approval

48. Appendix AP: Final Sign-off

49. Appendix AQ: Final Review

50. Appendix AR: Final Approval

51. Appendix AS: Final Sign-off

52. Appendix AT: Final Review

53. Appendix AU: Final Approval

54. Appendix AV: Final Sign-off

55. Appendix AW: Final Review

56. Appendix AX: Final Approval

57. Appendix AY: Final Sign-off

58. Appendix AZ: Final Review

59. Appendix BA: Final Approval

60. Appendix BB: Final Sign-off

61. Appendix BC: Final Review

62. Appendix BD: Final Approval

63. Appendix BE: Final Sign-off

64. Appendix BF: Final Review

65. Appendix BG: Final Approval

66. Appendix BH: Final Sign-off

67. Appendix BI: Final Review

68. Appendix BJ: Final Approval

69. Appendix BK: Final Sign-off

70. Appendix BL: Final Review

71. Appendix BM: Final Approval

72. Appendix BN: Final Sign-off

73. Appendix BO: Final Review

74. Appendix BP: Final Approval

75. Appendix BQ: Final Sign-off

76. Appendix BR: Final Review

77. Appendix BS: Final Approval

78. Appendix BT: Final Sign-off

79. Appendix BU: Final Review

80. Appendix BV: Final Approval

81. Appendix BW: Final Sign-off

82. Appendix BX: Final Review

83. Appendix BY: Final Approval

84. Appendix BZ: Final Sign-off

85. Appendix CA: Final Review

86. Appendix CB: Final Approval

87. Appendix CC: Final Sign-off

88. Appendix CD: Final Review

89. Appendix CE: Final Approval

90. Appendix CF: Final Sign-off

91. Appendix CG: Final Review

92. Appendix CH: Final Approval

93. Appendix CI: Final Sign-off

94. Appendix CJ: Final Review

95. Appendix CK: Final Approval

96. Appendix CL: Final Sign-off

97. Appendix CM: Final Review

98. Appendix CN: Final Approval

99. Appendix CO: Final Sign-off

100. Appendix CP: Final Review

101. Appendix CQ: Final Approval

102. Appendix CR: Final Sign-off

103. Appendix CS: Final Review

104. Appendix CT: Final Approval

105. Appendix CU: Final Sign-off

106. Appendix CV: Final Review

107. Appendix CW: Final Approval

108. Appendix CX: Final Sign-off

109. Appendix CY: Final Review

110. Appendix CZ: Final Approval

111. Appendix DA: Final Sign-off

112. Appendix DB: Final Review

113. Appendix DC: Final Approval

114. Appendix DD: Final Sign-off

115. Appendix DE: Final Review

116. Appendix DF: Final Approval

117. Appendix DG: Final Sign-off

118. Appendix DH: Final Review

119. Appendix DI: Final Approval

120. Appendix DJ: Final Sign-off

121. Appendix DK: Final Review

122. Appendix DL: Final Approval

123. Appendix DM: Final Sign-off

124. Appendix DN: Final Review

125. Appendix DO: Final Approval

126. Appendix DP: Final Sign-off

127. Appendix DQ: Final Review

128. Appendix DR: Final Approval

129. Appendix DS: Final Sign-off

130. Appendix DT: Final Review

131. Appendix DU: Final Approval

132. Appendix DV: Final Sign-off

133. Appendix DW: Final Review

134. Appendix DX: Final Approval

135. Appendix DY: Final Sign-off

136. Appendix DZ: Final Review

137. Appendix EA: Final Approval

138. Appendix EB: Final Sign-off

139. Appendix EC: Final Review

140. Appendix ED: Final Approval

141. Appendix EE: Final Sign-off

142. Appendix EF: Final Review

143. Appendix EG: Final Approval

144. Appendix EH: Final Sign-off

145. Appendix EI: Final Review

146. Appendix EJ: Final Approval

147. Appendix EK: Final Sign-off

148. Appendix EL: Final Review

149. Appendix EM: Final Approval

150. Appendix EN: Final Sign-off

151. Appendix EO: Final Review

152. Appendix EP: Final Approval

153. Appendix EQ: Final Sign-off

154. Appendix ER: Final Review

155. Appendix ES: Final Approval

156. Appendix ET: Final Sign-off

157. Appendix EU: Final Review

158. Appendix EV: Final Approval

159. Appendix EW: Final Sign-off

160. Appendix EX: Final Review

161. Appendix EY: Final Approval

162. Appendix EZ: Final Sign-off

163. Appendix FA: Final Review

164. Appendix FB: Final Approval

165. Appendix FC: Final Sign-off

166. Appendix FD: Final Review

167. Appendix FE: Final Approval

168. Appendix FF: Final Sign-off

169. Appendix FG: Final Review

170. Appendix FH: Final Approval

171. Appendix FI: Final Sign-off

172. Appendix FJ: Final Review

173. Appendix FK: Final Approval

174. Appendix FL: Final Sign-off

175. Appendix FM: Final Review

176. Appendix FN: Final Approval

177. Appendix FO: Final Sign-off

178. Appendix FP: Final Review

179. Appendix FQ: Final Approval

180. Appendix FR: Final Sign-off

181. Appendix FS: Final Review

182. Appendix FT: Final Approval

183. Appendix FU: Final Sign-off

184. Appendix FV: Final Review

185. Appendix FW: Final Approval

186. Appendix FX: Final Sign-off

187. Appendix FY: Final Review

188. Appendix FZ: Final Approval

189. Appendix GA: Final Sign-off

190. Appendix GB: Final Review

191. Appendix GC: Final Approval

192. Appendix GD: Final Sign-off

193. Appendix GE: Final Review

194. Appendix GF: Final Approval

195. Appendix GG: Final Sign-off

196. Appendix GH: Final Review

197. Appendix GI: Final Approval

198. Appendix GJ: Final Sign-off

199. Appendix GK: Final Review

200. Appendix GL: Final Approval

201. Appendix GM: Final Sign-off

202. Appendix GN: Final Review

203. Appendix GO: Final Approval

204. Appendix GP: Final Sign-off

205. Appendix GQ: Final Review

206. Appendix GR: Final Approval

207. Appendix GS: Final Sign-off

208. Appendix GT: Final Review

209. Appendix GU: Final Approval

210. Appendix GV: Final Sign-off

211. Appendix GW: Final Review

212. Appendix GX: Final Approval

213. Appendix GY: Final Sign-off

214. Appendix GZ: Final Review

215. Appendix HA: Final Approval

216. Appendix HB: Final Sign-off

217. Appendix HC: Final Review

218. Appendix HD: Final Approval

219. Appendix HE: Final Sign-off

220. Appendix HF: Final Review

221. Appendix HG: Final Approval

222. Appendix HH: Final Sign-off

223. Appendix HI: Final Review

224. Appendix HJ: Final Approval

225. Appendix HK: Final Sign-off

226. Appendix HL: Final Review

227. Appendix HM: Final Approval

228. Appendix HN: Final Sign-off

229. Appendix HO: Final Review

230. Appendix HP: Final Approval

231. Appendix HQ: Final Sign-off

232. Appendix HR: Final Review

233. Appendix HS: Final Approval

234. Appendix HT: Final Sign-off

235. Appendix HU: Final Review

236. Appendix HV: Final Approval

237. Appendix HW: Final Sign-off

238. Appendix HX: Final Review

239. Appendix HY: Final Approval

240. Appendix HZ: Final Sign-off

241. Appendix IA: Final Review

242. Appendix IB: Final Approval

243. Appendix IC: Final Sign-off

244. Appendix ID: Final Review

245. Appendix IE: Final Approval

246. Appendix IF: Final Sign-off

247. Appendix IG: Final Review

248. Appendix IH: Final Approval

249. Appendix II: Final Sign-off

250. Appendix IJ: Final Review

251. Appendix IK: Final Approval

252. Appendix IL: Final Sign-off

253. Appendix IM: Final Review

254. Appendix IN: Final Approval

255. Appendix IO: Final Sign-off

256. Appendix IP: Final Review

257. Appendix IQ: Final Approval

258. Appendix IR: Final Sign-off

259. Appendix IS: Final Review

260. Appendix IT: Final Approval

261. Appendix IU: Final Sign-off

262. Appendix IV: Final Review

263. Appendix IW: Final Approval

264. Appendix IX: Final Sign-off

265. Appendix IY: Final Review

266. Appendix IZ: Final Approval

267. Appendix JA: Final Sign-off

268. Appendix JB: Final Review

269. Appendix JC: Final Approval

270. Appendix JD: Final Sign-off

271. Appendix JE: Final Review

272. Appendix JF: Final Approval

273. Appendix JG: Final Sign-off

274. Appendix JH: Final Review

275. Appendix JI: Final Approval

276. Appendix JJ: Final Sign-off

277. Appendix JK: Final Review

278. Appendix JL: Final Approval

279. Appendix JM: Final Sign-off

280. Appendix JN: Final Review

281. Appendix JO: Final Approval

ATTACHMENTS:

- I. **Fraud, Embezzlement and Reimbursement**
- II. **Benefit Buyout Analysis**
- III. **Facilitation Charges**
- IV. **Facilitation Detail**
- V. **Tax Analysis Sheet**
- VI. **Interview Recap**

☒ Active

☐ Inactive

☐ Closed

Reporting Agent: Thomas R. Buckner Date: 03/16/2009

Case Agent: Richard Pickup Date: _____

Supervisor: _____ Date: _____

OFFICE OF THE ATTORNEY GENERAL OF NEW MEXICO
INVESTIGATIONS DIVISION
CONFIDENTIAL INVESTIGATIVE REPORT

☐ Initial Report

☒ Supplemental Report #2

Case Name: Fraud

Case Number: 757-107 PC

Suspect(s):

Jon Hendry, [REDACTED]
[REDACTED]

Elizabeth (Lisa) Van Allen, [REDACTED]
[REDACTED]

Synopsis

This supplemental report is a continuation of the investigation into potential fraud by Jon Hendry and Lisa Van Allen. For further detail see investigation below.

Investigation

March 21, 2008

At 4:01 p.m. I received a voice message from Van Allen asking if I had received the revised spreadsheet she sent to me via email. Van Allen asked me to call her if I did not receive the revised spreadsheet. As indicated in supplemental report 1, I had received her email with the revised spreadsheet attached. As such, I did not make a follow-up call to her.

March 27, 2008

At 8:05 a.m. I went before the Grand Jury at the District Court in Santa Fe County to seek two subpoena duces tecums. One to the International Alliance of Theatrical & Stage Employees (IATSE) in care of their Custodian of Records and the other to This Machines Productions (TMP) in care of Elizabeth (Lisa Van Allen). The two subpoenas were approved and will be served onto the targets.

At approximately 1:30 p.m. I received a phone call from Lisa Strout (Director of the NMFO). Strout said she has been advised by her General Counsel Cindy Cordova that their agency would only be sending a copy of Van Allen's final spreadsheet. Strout says they only have a draft of her spreadsheet. Strout said if I had any questions regarding this

decision, I should contact Cordova.

At 2:00 p.m. I called and spoke to Cordova. Cordova said that any draft submitted to them is the property of Van Allen's and that they are not obligated to turn over drafts under the Inspection of Public Records Act (IPRA). I told Cordova that our office would request any draft and final spreadsheet that was turned over to the Film Office as a representation of work done to support billed items to the State of NM.

March 28, 2008

At 10:00 a.m. I met with Gregory Shaffer, Assistant General Counsel for the Department of Finance and Administration to obtain the documents I requested on March 11, 2008 (see initial report).

The cover letter and documents obtained were date stamped DFA-00214 to DFA-00259. These documents will be placed into NMAGO Evidence (Copy of Property and Evidence Control Sheet, Attachment #1).

A review of these records revealed that This Machines Production had other contracts with the NMFO under the Job Training Incentive Program for Film (JTIP) and Multimedia, which are not related to the FTTP contract that TMP held.

April 1, 2008

At approximately 9:00 a.m. Tom Buckner (Auditor) and I conducted an interview with Elizabeth (Lisa) Van Allen. The following is a brief summary of the interview, which was recorded. A copy of the recording will be placed into NMAGO evidence (Copy of Property and Evidence Control Sheet, Attachment #1) and a more detailed transcription of the interview will be provided upon request.

Lisa Van Allen Interview:

During the interview Van Allen said that she presently resides at [REDACTED]. Van Allen has obtained a bachelor's degree from Brown University. After college she worked for an attorney in Washington D.C. from 1989 to 1990. In 1991 she moved to New Mexico and began working for a ski company that had a restaurant that did catering for the motion picture industry.

Van Allen says she has been a craft service person (among other jobs) and joined the IATSE, which governs all of the technicians who work on film projects. Van Allen explained that the craft service involves serving snacks, water, providing meals in relation to the health and safety of the people on the (film) set.

Van Allen said she owns the Santa Fe Airport Grille (Duke City Gourmet), which caters food for private planes at the airport. Van Allen says this business is small and that she has employees that work for her. When I asked how much time she spends at this

business, she replied, "It just depends if I am working on film, when she is not working (on a project) she would spend sometime there."

Van Allen also has a contract with the City of Santa Fe to serve as the film liaison with the picture companies. It is her job to assist by obtaining the required permits for the picture companies.

Van Allen was asked if she held any title within the Union. She said she was the Executive Board Member at Large. As an Executive Board Member she would attend the Executive Board Meetings and vote. Van Allen said she resigned from this position before the start of her contract with the State.

I asked Van Allen to explain what she did for the FTTP. Van Allen explained that the State entered into a contract with the Union to provide instructors in certain craft areas to the various community colleges. Her company (This Machines Production) was acting as an administrator of this contract.

Van Allen said that the FTTP had problems with some of the community colleges. They were advertising their programs as the Governor's FTTP, however the person who headed the program at the college would decide the curriculum and teach the classes.

Van Allen mentioned that the union's Business Agent (Jon Hendry) went to Valencia County Community College in Florida to observe their program and bring it to New Mexico. The first semester was in the classroom with a project at the end. In the second semester the students do the project with mentors from the community as Best Boys and Keys. In the third semester the students serve as the Best Boys and Keys, while the mentors oversee them.

The schools were supposed to base their programs after the model from Florida, but they did their own thing. Some of the union members were concerned about the quality of students coming from the school programs. Van Allen said there are some programs that were graduating students based on attendance. Van Allen said some union members were apprehensive because they previously taught in the schools and had not been paid.

The NMFO came up with the idea to pay union people to instruct and go out on the projects. By doing this, union members are put together with the students (at the colleges).

I asked Van Allen to describe the hierarchy within a project. First are the utility technicians and then the journeymen. Each department would have a Best Boy and one Key (Department Head). Van Allen explained that a call sheet would list all of the departments (involved in a project).

Van Allen said she was approached by Lisa Strout in October 2005. Strout told her that they (the NMFO) had some money and wanted to do a contract with the union. Strout and Van Allen had conversations where Strout told Van Allen she would make a good

administrator. The conversations turned more serious in the beginning of 2006. Van Allen said she was aware that Strout wanted to do a contract with the union.

When asked how did the union adopt or approve the program, Van Allen responded that they (the union) had an Executive Board meeting and had conversations on how they would do the contract.

I asked her to tell me about the conversations and how often the Executive Board met. Van Allen said the board meets monthly and that she recalls reading about their discussions about the contract (in the minutes). These discussions were in a meeting a couple of months prior to the contract. She could not specifically recall the dates of these meetings.

I asked Van Allen if there was a vote (on the FTTP contract). She said there was a "consensus." The proposal for the contract came from Hendry. Van Allen said there was some hesitancy from the office in accepting the contract. She said the Secretary Treasurer, Laurie Hudson, was one person who was hesitant. I asked Van Allen if she could tell me the other persons on the board at that time. Van Allen said she could not remember and referred me to the minutes (of the executive board).

When asked, what was Hudson's hesitancy regarding the contract. Van Allen responded that she had a sense that the L&M (Labor and Management) report was hard for her and she thought this (contract) would be arduous for her. Van Allen further stated she could not recollect specific conversations.

I asked Van Allen how her company (TMP) became involved in the contract. Van Allen said in the decision for the signing of the contract there was always the assumption that there would be an administrator for it. She and Strout had conversations where she would be the administrator. These conversations happened prior to the contract being signed. Van Allen said there was a certain amount of consensus that this (contract) would be a good way to handle it.

I asked her who made up the consensus. She replied the Film Office and the Executive Board was largely supportive of it. I asked her who within the board was supportive. Van Allen said she could not remember who, as this was discussed over several months and they had a large turnover at the time.

I then asked her when the board discussed this matter. She replied in February or March of '06." I asked her when was the contract signed and she replied, "You have a copy." I asked her if May sounded correct, she said that sounds right and referred me back to the contract.

Van Allen said that her company was, "for the most part" set up for the FTTP. Outside of the FTTP they did a music video project. This was a Randy Travis Video. Van Allen said the company is listed as an LLC and she is the only person listed.

I asked her if she had people working for her. Her response was, initially she did not, as everything was done on a contract. Van Allen said she never did a payroll. Once they started administering the contract for the union, it became clear that she needed a production manager.

She hired Lisa Weineke (Slipstream Production) for the initial governor's cup projects; she would later hire other people (Jen White, Jennifer Hoffman, and Annie Ortega-Chastain) who did the paperwork because she went back to work (full-time) within the industry. Elizabeth Gable was another production manager for the second governor's cup. I asked Van Allen if there were others and she referred me to the facilitation expenses from the book we received from the NMFO.

Van Allen was asked to tell us all of the projects she worked (outside of her FTTP contract) on for the period of the FTTP contract. Van Allen said over the period of the contract she worked on the following films; 1. Comanche Moon from April 2006 to July 2006. 2. The Lost Room from July 15, 2006 to October 2006. 3. 3:10 to Yuma from October 2006 to January 2007. 4. She had some time off between her next job with Breaking Bad from March or April of 2007 and ended about April or May of 2007. 5. In June 2007 to July 2007 she worked on the Indiana Jones project. 6. In July 2007, work on Swing Vote and continued back-to-back on the following films, Appaloosa, Brothers, and Love Ranch (which finished).

I asked Van Allen if she knew what the terms of compensation were under the contract out of the \$250,000 allotted. Van Allen said they wanted to allocate \$200,000 to teaching and \$50,000 to facilitation.

I asked Van Allen how the teachers were paid. Van Allen said they tried to pay each teacher a rate commensurate to that of a Key working in their field. She said they were also paid benefits even though the state could not pay for them. She further explained that these teachers, who are union members, are used to having their benefits paid.

After Van Allen explained how they arrived at paying for the teachers, I mentioned that according to the contract the state only paid for certain amounts. Van Allen agreed and said the state wanted to be billed an hourly figure of \$40.00 an hour. I inquired if this rate was the same for the facilitator and the coordinator. Van Allen responded that they (her business) billed a flat rate for the facilitator and coordinator.

Buckner asked Van Allen if facilitation and coordination were the same or different. Van Allen said they were "pretty much the same." She went on to explain that they (TMP) billed for facilitation every two weeks. This money was to pay the people who administrated the billing, coordinated the projects, maintained equipment, and pay for insurance. She saw facilitation as a means to making the program work.

To see if I understood how Van Allen represented the facilitation charges to the invoices, I asked her if the facilitation charges did not correspond to the invoice numbers (that she attributed them to on the spreadsheets). She said, "Exactly." Van Allen said she created

the spreadsheets as a way of trying to make all of this material clear. She initially tried to "break out" all the charges that would go against the specific invoice but there were left over amounts. So she tried to do this in a manner she thought was as clear as possible.

Buckner posed the question that the two items (listed on facilitation spreadsheet) did not relate to invoice 10. Van Allen again responded, "Exactly." And further explained that this (on the facilitation spreadsheet) was the money's she received in for facilitation.

Van Allen said she is working on another set of spreadsheets and that the state auditor has come up with errors she has made. I asked her what type of errors we would see. She said she missed invoices 27 & 28 (on the second spreadsheet).

Next we questioned Van Allen about the contract. I asked Van Allen when she submitted the book (with all the supporting documents) to the NMFO. She said she turned over the material after her last written letter of correspondence dated November 14, 2007. She could not be sure of the specific date.

I asked Van Allen if she received a call from Lisa (Strout, director NMFO) requesting the book. Van Allen said she did receive a call asking for the documents but was not sure if it was Lisa or Tobi (Ives, NMFO) in November or December.

Within the contract, we went over the following areas related to the Coordinators position, Teaching, Compensation, the signature on the contract for the union and the Deliverables. When we discussed the coordinators position, Van Allen said that they never approved or created any curriculum and did a lot of the work in coordination with Hendry of the union. She served as the administrator. Van Allen said, some of the things TMP did involved, booking the instructors and doing their payment. She commented that Hendry and Annie (Chastain-Ortega) assisted her with the coordination work.

Under teaching, we briefly discussed the craft areas that were supposed to be taught per the contract.

Under compensation, we discussed that the contract paid \$40.00 per hour for both the Coordinator and Teachers. I asked Van Allen if she had seen and read the contract prior to entering into her agreement with the union. She said, "Yes."

Under the signature on the contract, Van Allen said that it was Hendry's signature approving the contract for the union. I inquired as to why he would sign the contract when she was not sure if a vote of acceptance was done by the board. Van Allen said Jon was the Business Agent for the union and he is allowed to sign contracts on behalf of the union.

We went over the agreement that she signed with the union (attached to the contract). She indicated that Jon (Hendry) had signed for the union. In the body of this agreement there is an indication that a memorandum of understanding (MOU) was attached (although none was provided). Van Allen said there was an MOU, but could not recall

specifically what it said.

Under the deliverables, it states that the contractor will provide a detail report from instructors and schools after each semester. Van Allen was asked if she provided any such reports. She said she did provide reports. These reports would be what was encumbered or paid out. She said we do not have copies of these reports. Van Allen said she sent these reports quarterly.

Next we asked if she submitted a full crew list for each project. She said they kept call sheets and production reports from every project. When asked if she sent them (call sheets and production reports) to the NMFO; she replied, she kept them in a file and for the most part she keeps them. They were kept as a back up that students were actually there.

As far as keeping the number of students at enrollment, at graduation, the number that have successfully joined into the union and to which specific craft, Van Allen said she did not keep these numbers.

After discussing the contracts, we went over some of the invoices (10-13) and spreadsheets provided by the NMFO (via TMP). We went over invoice number 11 (Bates # 00556) or a Flagman class that was paid for by the state. Van Allen said that the class did include students. When asked why she billed the state for \$650.00 with notations on her supporting documentation of \$65 per person. She said that this is what the contractor (Associated Contractor-Clinton Anderson) billed for the class. I reiterated that in the contract the state only paid for \$40.00 per hour for teaching and asked her if that was correct. Van Allen agreed. Van Allen agreed that she paid a flat fee to the contractor. Furthermore, I brought up the fact that the instructor, Clinton Anderson, was listed as one of the students. Van Allen said she did not know why he would be listed as a student (Bates #'s 00556, 00559-00573).

It should be noted that the amounts on the spreadsheet that Van Allen attributed to invoices 10, 1 and 13 (Bates # 01050) differ from the invoices 10-13 (Bates #00554-00558). Further review of the amounts indicates that the spreadsheet is incorrect. What was marked as invoice #10 should be under invoice #11 (Bates #00556), what was marked invoice #1 (Bates #01050) should be invoice # 13 (Bates #00558). What was marked invoice number 13 should be under invoices 10 & 12 (Bates #'s 00555 and 00557).

Next we looked at a timesheet submitted by Lisa Weineke (for the project known as Dearth or Birthday) owner of Slipstream Inc. (Bates #00584) which was IATSE's invoice #13 (Bates #00558). Van Allen said that she paid Weineke a flat fee for her services as a production manager/mentor for two governor's cup projects. The State was billed \$2,200 by TMP at a flat rate. There is no indication of the total hours that Weineke worked on this project.

While reviewing the invoices, I asked Van Allen who made out the invoices that were

sent by IATSE. She said the person who started doing the invoices for her was Jennifer White. I asked Van Allen if she had made any separate invoices from her company to the union and she said, "No."

I asked Van Allen if anyone from the union reviewed the invoices prior to them being submitted to the State. Van Allen said she did not know and they may have gone directly to the State. I then asked her, who from the union was taking care of the FTTP contract. She replied Jon was the person who was concerned about it and he did help her. She further commented that Jon (Hendry) and Jen White initially did the paperwork. Annie (Chastain-Ortega) was another person that did the paperwork.

I asked Van Allen who would get the check from the State. She said the union would get the check. After which the check was deposited into a separate account (the trust and training account). The union would cut a check to TMP for the exact same amount. When asked who wrote the checks from the union to her company she replied, "Jon, Annie, or Jen."

At 1 hour and 57 minutes into the recording we took a break. At 2 hours and 4 minutes into the recording the interview was restarted.

Next I brought to Van Allen's attention the timesheet submitted by Mamie Mitchell (Bates #00577, for the project known as Dearth or Birthday). Mitchell reported that she worked a total of 40 hours. She was paid \$1,808 when the state should have only paid \$1,600. Van Allen acknowledged that the state does not pay for overtime, double time, or benefits. I asked Van Allen why she would have overcharged, when she knew that it was only \$40.00 per hour. Van Allen responded that her problem was that the people (in this industry) were accustomed to making a certain amount per hour, plus overtime and benefits (health & pension). With this in mind, the film office and her company tried to come up with an hourly rate which would be commensurate to what they were getting paid in the industry. Van Allen mentioned that they were also used to getting paid a minimum of four hours for travel with the full pension and benefits.

Buckner asked if they had worked with the film office to arrive at the rate. Van Allen said that Jon and the Film Office (possibly Lisa or Jen Schwalenberg) had discussions on how to determine the billable rate. Van Allen said she was not sure what the conversations were about.

We then looked at the timesheet submitted by Mr. Rob Seymour (Bates #00579, for the project known as Dearth or Birthday). Seymour's timesheet indicates he worked a total 48 hours. The amount billed to the State from This Machine was \$2,143.02 when the state should have paid \$1,920. Van Allen responded that his benefits put him over \$40.00 per hour. Van Allen commented that she was surprised his benefits took him over \$40.00 an hour. It was noted that he had also put in for gas and living allowance. Van Allen said usually the benefits did not put people over, but because he traveled to Roswell he received a living allowance.

Van Allen was asked if paying for the living allowance was required by a union contract. Van Allen said this would mimic the way a union contract would work. I referred her back to the contract and that it indicates that expenses are inclusive to the \$40.00 per hour rate.

Next we looked at the timesheet submitted by Greg Eichman (Bates #00581, for the project known as Dearth or Birthday). Eichman's timesheet indicates that he worked a total 42 hours. The amount billed to the State from TMP was \$1,840.00, when the state should have been billed \$1,680.00. I asked Van Allen if this would be similar to the others, she responded, "sure."

When looking at the timesheet submitted by Liz Marshall (Bates #00582, for the project known as Dearth or Birthday). Marshall's timesheet indicates that she worked a total of 40 hours. The State was billed \$1,840.00 by TMP when it should have paid \$1,600.

We spoke about the facilitation fee of \$2,000 (for the project known as Dearth or Birthday). Van Allen said they (TMP) did charge a fee of \$2,000 for facilitation. They also paid Weineke as the facilitator because she was the person who compiled the timecards and gas receipts and did the facilitation. Van Allen said Weineke was also an instructor for this project. Van Allen reiterated that TMP had a flat rate agreement with Weineke for a period of weeks as a facilitator and mentor. Van Allen said that it is possible that Weineke worked enough hours to reach the payment made to her. Van Allen was asked what her company did regarding this project other than gathering documents. Van Allen said they coordinated some of the transportation of items for the project.

While going over the facilitation spreadsheet, Van Allen explained that not all of the items could be attributed to just one project. She had purchased a general liability insurance policy (production policy) from Digital Filmmakers Institute (DFI). Van Allen said all of Weineke's fees under facilitation were for the governor's cup.

When we looked at an entry for Grace Lapsys (Bates #01068), Van Allen said she was not sure if she was in the governor's cup. I pulled the copy of the check to Grace Lapsys (Bates # 01020). I brought to her attention that the copy she provided had a memo on it, which said, "Coordination activities for" and then the rest was scratched out. An invoice from Lapsys (Bates #01019) shows the activity to be for the state fair broadcast. Van Allen agreed that this was a different project.

Next, I brought her attention to a copy of the same check that I obtained from the First National Bank of Santa Fe (Bates # TMP0046). I pointed her attention to the memo of the check which said, "Coordination activities for governor's commercials." I asked her to explain this to me. After a short pause (11 seconds) she responded, I'm not sure that I can, except to say that if in fact this was for the coordination for a commercial, for the governor, it should not appear in the facilitation. I asked her why would this (the portion of the memo from the check she provided) be scratched out. She said, I don't know. I asked her who would scratch this out. She said, I don't know. I retorted that these were

her records. She replied, yup, I understand. I asked her if she scratched it out. After a short pause (9 seconds) she said, "I don't know how to answer you." I said it's either yes or no. Did you or did you not scratch this out. After stammering she responded, "I don't have a recollection that's going to allow me to answer that question."

I retorted that she provided the documents to the state as proof for work that was done. Van Allen she and her staff made the copies. Van Allen then said she would not answer this question, but would continue. I asked her if we would see other instances like the check we went over. Van Allen said she prepared the documents, in good faith, and she tried to put only things that pertained to the program. Van Allen said she thinks the documents submitted are a pretty accurate rendition of costs associated with this program. She did not spend as much time on facilitation because it took her a long time.

Van Allen explained that no one seemed to feel that facilitation was an issue. I asked Van Allen, who did not feel it was an issue. She responded that she gave the documents to the state film office knowing it would go to the auditor. She was told to put copies of checks stubs and invoices in (the documentation). I asked her who told her to put them in. She replied, Lisa and Tobi. I asked Van Allen whether the book (she put together) had not been completed until she was requested by Lisa or Tobi. She said yes, they asked me to put together everything. She was unclear as to what everything was.

Next we looked at the timesheet submitted by Lisa Weineke (Bates #00598) for the "A Day in Heaven" project. Van Allen said Weineke also mentored as a production manager and also as the facilitator. As Van Allen previously stated she paid her a flat fee, I went onto Mike Lamb's timesheet (Bates #00601). Lamb submitted 50 total hours of work but with two 10 hour days of travel. The state was billed by TMP for \$2,150. If the travel time is correct, the state should have paid \$2,000.

Van Allen was asked if she ever explained the contract to the teachers or facilitators that it was for \$40.00 per hour. Van Allen said she doubted it because the conversations with the teachers were about rate, travel time and benefits.

We then reviewed the timesheet submitted by Tom Caldwell (Bates #00603) for the "A Day in Heaven" project. Caldwell submitted 38 total hours of work, but with two 4 hour days of travel with a notation of minimum. The state was billed by TMP for \$1,750.77. If the travel time is correct the state should have paid \$1,520.

After reviewing Caldwell's timesheet, I wanted to clarify Van Allen's position as to why the mentors were paid in this manner. Van Allen said that they were paid the way that production company's pay for union contracts.

I explained that our investigation found situations like the one's above throughout the documentation she provided. Van Allen said that she did make an honest effort to put things that pertain to this program in the book but she may have gotten a little careless. I told Van Allen that we intend to look through everything she provided us and to talk with everyone that she has associated with a fee to the State. I asked Van Allen if there were

more. She responded, "Let me take a look," She thought that facilitation was a fee she charged for administering the contract at a flat fee.

When I told Van Allen that the state (at the minimum) would be due money; she responded, "what about the third spreadsheet (Bates #01070) for money she paid out for projects not reimbursed under this project."

Van Allen commented that there was supposed to be an extra \$50,000 (for this program). She was told by Tobi and Lisa that they believed the NMFO would receive an extra \$50,000. Van Allen said towards the end of the contract she was concerned about making additional commitments. She was asked (by Tobi) to mentor the New Mexico Filmmakers Institute at the college of Santa Fe.

Van Allen said she did not want to be "on the hook for this," and wanted something in writing from the NMFO saying that the \$50,000 was coming. The total that Van Allen claims she has not been paid for is \$14,008.85 (see Bates #01070).

I asked her if the teachers of the schools attended the projects. She responded, "In most cases they were." Towards the end of the interview, I served the Grand Jury subpoena that I obtained on March 27, 2008 to Van Allen.

The interview was concluded at approximately 12:08 p.m.

At approximately 1:50 p.m. I served the Grand Jury subpoena that I obtained on March 27, 2008 to the IATSE in Santa Fe.

At approximately 2:05 p.m. I hand delivered a letter requesting documents to Lisa Strout, Director NMFO (Attachment # 2).

April 2, 2008

I received a phone call from Mr. Robert Giolito. Giolito said he will be representing the IATSE regarding this matter. We discussed the subpoena which I served onto IATSE and that I would like to interview the board members in the future. Giolito said IATSE intends to comply with the subpoena and that he would ask that I contact him when I am ready to interview the board members. I agreed to contact him in order to set up any interviews with the board members.

April 4, 2008

I received a letter from Giolito entering himself as the counsel for the IATSE (Attachment #3).

April 7, 2008

Giolito called and requested that IATSE be allowed an additional day to prepare all of

their documents. We agreed that IATSE will turn over their documents on April 17, 2008.

April 11, 2008

I received a phone call from Mr. Reber Boulton stating that he was representing Van Allen and Hendry as their Attorney. He asked that I call him regarding the subpoena, I served to Van Allen.

April 14, 2008

I called and spoke to Boulton. Boulton requested additional time for his client to produce the documents. We agreed to extend the date to comply with the subpoena to April 23, 2008.

April 17, 2008

At approximately 11:00 a.m. Special Agent Huegler and I met with Bob Giolito (Attorney for IATSE) at the IATSE office in Santa Fe. The documents obtained from the IATSE were bates stamped IATSE 1 through IATSE 813. They will be placed into NMAGO Evidence (Attachment #1, Copy of Property & Evidence Control Sheet).

☒ Active

☐ Inactive

☐ Closed

Reporting Agent: Richard Pickup Date: 04-17-2008

Case Agent: Richard Pickup Date: 04-17-2008

Supervisor:  Date: 5-30-08

JOENE ALTWIES